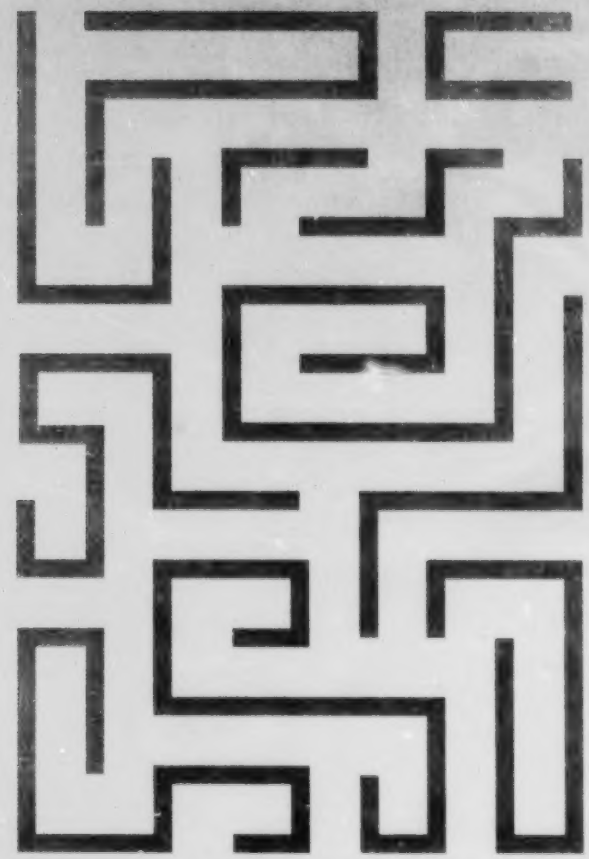
STREAMLINING ADMINISTRATIVE PROCEDURES: AN ECONOMIC NECESSITY



REPORT OF THE ADVISORY PANEL
ON REGULATORY REFORM
TO THE PREMIER OF QUÉBEC

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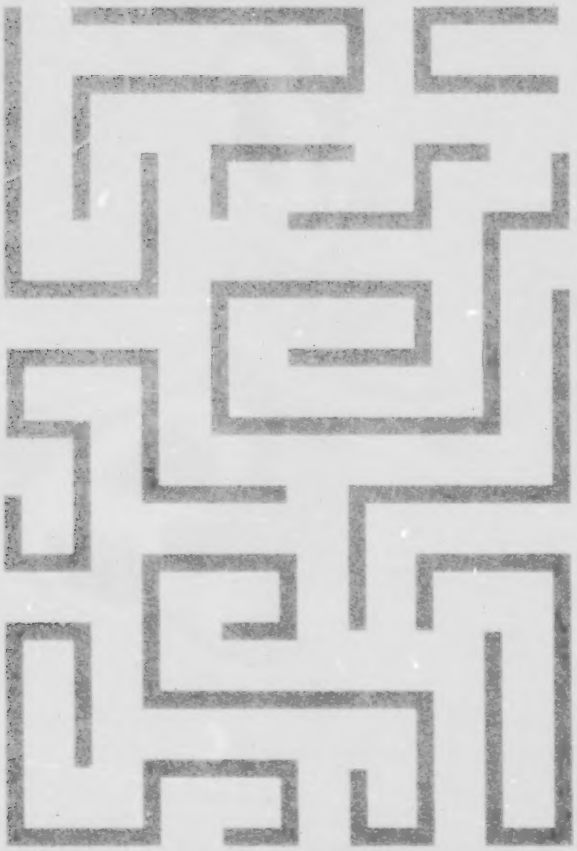

REPORT OF THE ADVISORY PANEL ON REGULATORY REFORM TO THE PREMIER OF QUÉBEC

MAY 2001

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Montréal, May 9, 2001

The Right Honourable Bernard Landry
Premier of Québec
885, Grande Allée Est
Québec (Québec) G1A 1A2

Dear Sir,

In accordance with the mandate received from the Québec government on April 28, 1999 (Order in Council 464-99), I am pleased to present you with the report on the past year's activities of the Advisory Panel on Regulatory Reform. This report completes the Panel's mandate respecting the streamlining of administrative procedures imposed on businesses under Québec's regulatory system.

The members of the Advisory Panel sincerely hope that the government will act on the recommendations contained in this report as well as on those of the June 2000 report that have not been implemented yet. The primary goal of government intervention in this regard should be to facilitate the start-up and growth of small businesses, which are known to play a leading role in job creation and innovation and are hardest hit by the host of administrative requirements arising from existing regulations. Despite the laudable efforts made by the government in recent years, you will note in reading this report that much remains to be done in Québec to bring the overall administrative burden on businesses down to a level that they would find acceptable.

During the course of its work, the Advisory Panel studied regulatory and administrative streamlining initiatives in several countries and states that compete with Québec and whose growth and job creation rates are enviable. It found that in most cases, these jurisdictions have taken very stringent measures to better control their regulatory process and keep the administrative burden on businesses to a minimum, while giving themselves the means to achieve their societal objectives.

You will also note that the Advisory Panel has fulfilled its mandate without calling into question the principles underpinning the regulations that give rise to the administrative procedures examined herein. In its view, many of the regulatory controls that are criticized by the business community would be viewed more favourably if an effort were made to minimize the administrative requirements they impose.

In conclusion, I would like to underscore the dedication and enthusiasm of each of the members of the Advisory Panel who, like myself, truly hope that their work will gradually help to build a competitive economy in Québec that will stimulate job creation.

Sincerely,

Bernard Lemaire
Chairman of the Advisory Panel
on Regulatory Reform

MEMBERS OF THE ADVISORY PANEL ON REGULATORY REFORM*

Bernard Lemaire, Chairman

Pierre Comtois, Vice-Chairman

Jean-Paul Barré

Martine Corriveau-Gougeon

Michel Hémond

Édith Majeau

Micheline Plamondon

Claude Rioux

Jean-Marie Sala

Marcel Samson

Émile Vallée

Mtre. Michel Yergeau

* Biographical notes on each of the members of the Advisory Panel appear in an appendix to this report.

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FOREWORD

This report by the Advisory Panel on Regulatory Reform is its second and last report under the mandate it received from the Québec government in April 1999 with regard to the streamlining of administrative procedures imposed on businesses. It should be noted that, for the purposes of this mandate, the Advisory Panel submitted its first report to the government in June 2000, which contained 58 recommendations on the administrative irritants most frequently mentioned by the business community. In the present report, which follows from that of June 2000, the Panel would like not only to pursue the discussion of certain issues raised in its last report and to examine new administrative irritants identified by the business community, but also propose new solutions for administrative and regulatory streamlining.

As mentioned in its previous report, the Advisory Panel is made up of 12 members, 10 of whom are from business circles and 2 from labour unions. It was created in the wake of a consensus reached with the government's main socioeconomic partners at the Summit of the Economy and Employment in November 1996. At that time, several summit participants had stressed the urgent need to reduce the administrative and regulatory burden on businesses, particularly small and medium-sized enterprises (SMEs), in order to spur investment and job creation in Québec. As shown by its June 2000 report, the purpose of the Advisory Panel's present mandate was not to question the principles and policy objectives that underpin existing regulations, but to eliminate the undue administrative requirements that affect small firms in particular.

In an effort to address the most pertinent issues, the Advisory Panel held additional consultations with business people in summer 2000. In the course of these consultations, it received 7 reports, which supplement the some 25 others submitted in 1999. It also met with several business associations and entrepreneurs to ensure that it fully understood the points they had raised. A number of these questions were then discussed with the departments concerned, mainly the ministère du Revenu and the ministère de l'Environnement, whose regulations entail many administrative requirements that have drawn criticism from business circles. Through this rigorous approach, the Advisory Panel hopes that it will not only help to provide concrete solutions to real problems, but foster the emergence of a more effective partnership between the government and businesses. By creating a more favourable business climate in Québec and fostering entrepreneurship, which is the main source of job creation, such a partnership would benefit Québec society as a whole.

ADVISORY PANEL ON REGULATORY REFORM
MANDATE AND ACHIEVEMENTS

The Advisory Panel on Regulatory Reform was created in the wake of a consensus reached by the Québec government and its main socioeconomic partners at the 1996 Summit on the Economy and Employment.

Under the mandate conferred upon it by the government on September 10, 1997 and which is described in Order in Council 1167-97, the Panel has been responsible primarily for:

- suggesting to the government regulatory fields that should be given priority;
- examining and providing opinions on regulatory review plans submitted by departments and agencies as part of their strategic planning;
- analyzing and occasionally providing opinions on the orientations and regulatory measures proposed by departments and agencies in fields that affect business firms, jobs and economic development;
- advising the government and, in particular, the Premier, on any other subject affecting regulatory reform and involving business firms.

The Order in Council provided that the Advisory Panel would submit a report on its activities to the Premier no later than May 29, 1998. The Panel complied with this provision within the prescribed time limit and thus completed its first mandate.

It should be mentioned that, during that mandate, the Advisory Panel advised the Premier on only one occasion regarding proposed statutes or regulations. This was in 1997, when the Minister of the Environment planned to review authorization systems under the *Environment Quality Act*. The government then asked the Advisory Panel for its opinion on this project given its potential impact on economic development. However, the Panel did not advise the government on its proposed regulatory review, even though it had the authority to do so under the Order in Council.

On April 28, 1999 (Order in Council 464-99), the Advisory Panel's mandate was renewed for a two-year period. In accordance with its new mandate, the Panel was to deal with "issues relating mainly to administrative irritants that affect businesses" and to advise the Premier on specific issues at his request. It also had to submit an annual report on its activities to the Premier.

In June 2000, the Advisory Panel released a report entitled *Streamlining Administrative Procedures*. Since it had not been asked to give its opinion on particular issues, the Panel discussed only those procedures which stemmed from the existing regulatory framework, and was not required to study new statutory or regulatory proposals submitted to the government.

The Advisory Panel on Regulatory Reform has thus been responsible mainly for suggesting measures to streamline administrative procedures that affect businesses and was not mandated to question the principles that underpin the statutes and regulations adopted by the National Assembly or the Québec government.

INTRODUCTION

In 1996, the Québec government and its socioeconomic partners agreed, with good reason, that the regulatory and administrative requirements imposed on businesses had to be reduced. According to a recent survey of some 20 government departments and agencies, Québec firms must comply annually with at least 17 million administrative formalities in respect of permits, authorizations, registrations, controls, forms and reports. This survey, which is not yet complete, reveals that each firm in Québec must perform dozens, if not hundreds, of procedures in order to conform to existing regulations. Although the costs and delays occasioned in the process have still not been evaluated precisely, the Advisory Panel believes that they have a cumulative, adverse effect on the start-up and growth of businesses and thus on job creation in Québec.

Given that nearly 96% of Québec's 196 000 or so business firms have fewer than 50 employees – and the number of firms rises when the some 500 000 self-employed workers in Québec are taken into account – it is primarily small businesses that are affected by this hefty administrative burden. As confirmed once again by a recent study[1], regulation has a "regressive effect" on businesses, obliging smaller enterprises to shoulder an administrative burden which, on a per-employee basis, is several times greater than that placed on large corporations. Governments typically impose the same administrative requirements (permits, forms, etc.) on all businesses regardless of their size and level of development. Too often, they forget that in the case of small firms, it is frequently the entrepreneurs themselves who have to satisfy these requirements because they do not have enough human and financial resources to delegate this responsibility. By obliging business people to devote so much time to discharging these obligations, regulatory authorities directly undermine Québec's very ability to create jobs, given that the vast majority of new jobs are created by small enterprises, emerging businesses and self-employed workers. Since Québec's unemployment rate is still high, compared with that of the United States or Ontario, it is absolutely essential that the public sector be sensitized to the situation of small firms and that steps be taken to minimize the administrative burden imposed on them by the regulatory system. Such efforts would be in keeping with the government's recent commitment to ensure economic prosperity in Québec.

Most industrialized countries are now aware of above-mentioned realities. On June 15, 2000, at a conference held by the Organization for Economic Co-operation and Development (OECD), nearly 50 countries signed an agreement known as the *Bologna Charter*[2]. This agreement is aimed primarily at ensuring that the regulatory framework in effect in these countries does not place undue constraints on SMEs and is conducive to entrepreneurship and innovation. The United States, which is very receptive to small enterprises and has a low unemployment rate, has devised mechanisms, such as the *Regulatory Flexibility Act*, which oblige governments to take the size of businesses into account when drafting regulations. Québec would not be alone if it made a determined effort to pursue a similar approach.

The Advisory Panel acknowledges that the Québec government has taken significant steps to lighten the administrative and regulatory burden on businesses. It also realizes that this burden is the result of an accumulation of regulations over a period of more than 40 years and was not created by the present government alone. Nevertheless, the Panel is asking the government to step up its efforts to streamline regulatory and administrative procedures in order to generate conditions that are more favourable to economic development and job creation in Québec.

The Advisory Panel is aware that Québec's public sector has launched a major reform aimed at improving the quality of services to businesses and the public. It is important that this reform, which the Panel endorses wholeheartedly, focus on streamlining the administrative procedures required of businesses, and especially of small firms.

The Advisory Panel would like to make it perfectly clear that it understands that all modern societies must set rules, particularly to ensure public health and safety and environmental protection. However, like the business community, it decries administrative requirements that not only engender undue delays and costs for firms, but also undermine the ability of small enterprises to launch projects and create jobs. In this report, the Panel will make recommendations mainly to establish mechanisms in the public sector that might help to reduce the undesirable effects of the administrative burden on small firms, while allowing the government to achieve its societal objectives.

1. OECD (PUMA) international business survey comparing the regulatory environment of businesses, July 2000.

2. The text of the Charter appears in an appendix to this report.

THE ADMINISTRATIVE BURDEN ON BUSINESSES

Over the past few months, in response to one of the recommendations made by the Advisory Panel in June 2000, the government completed the survey of administrative procedures initiated in 1999, and submitted it to the Panel through the Secrétariat à l'allégement réglementaire. This survey provides a clearer understanding of the magnitude of the administrative burden placed on businesses by existing regulatory controls and makes it to possible to propose courses of action for attenuating its effects.

This survey of 20 government departments and agencies that impose some of the most numerous and cumbersome regulatory requirements on businesses identified over 17 million procedures in respect of permits, authorizations, reports, licences, registrations and so forth that all Québec businesses had to perform in 1998-1999.

This figure, which already speaks volumes, does not include procedures required by certain departments or agencies, such as the Institut de la statistique du Québec and the Commission de l'équité salariale, which, through their own rules and regulations, oblige firms to comply with other administrative formalities. The Commission, for example, requires businesses to complete certain fairly complicated administrative procedures, albeit only for a short time, in accordance with the Act under which it was established. It should also be noted that, owing to a lack of information, the above figure does not take into account certain formalities that have been clearly identified but not quantified (e.g. those associated with income tax return schedules) or those relating to the many requests for additional information that businesses often have to satisfy in dealing with the government. Nor does it cover procedures required by federal and municipal levels of government, given that the survey was confined to Québec government bodies. Therefore, the total number of procedures indicated here, i.e. 17 million, is probably quite conservative and provides only a partial measure of the administrative burden on Québec businesses.

The Advisory Panel is aware that even though many of the requirements identified during the survey occasion considerable costs for businesses, they can be necessary for the proper functioning of the State. As political scientist Barry Bozeman of the Georgia Institute of Technology said in his recent book[3], a distinction must be made between rules that people do not like, but that are useful and those that people do not like, but that are not very useful or of no use at all. Like the business community, the Advisory Panel is not calling useful procedures into question, but those that duplicate one another, cause needless work and delays on account of their complexity and do not seem essential to the government.

The Advisory Panel would now like to discuss the results of the above-mentioned survey in greater depth in order to illustrate the amount of work and costs certain procedures generate for business firms, particularly SMEs.

OVERVIEW OF PROCEDURES IMPOSED ON BUSINESSES

Table 1, which appears below, provides a preliminary breakdown of the 17 million or so procedures imposed on businesses, according to source department or agency and type of procedure.

It can be noted that firms have to comply with 459 different types of procedures, which fall into three main categories, namely, authorizations, registrations and reports. The "authorizations" category comprises the various procedures performed in respect of permits, licences and certificates, including registration certificates and certificates of conformity, as well as the procedures involved in obtaining the authorizations needed to carry on a business in a given activity sector. As for the "registrations" category, it consists of procedures followed for the purposes of all the registrations required under existing regulations, while the third category, "reports", comprises procedures carried out in respect of the many reports, returns and declarations that businesses must submit periodically to government departments and agencies.

This preliminary breakdown reveals that over 75% of the procedures required of businesses stem from the application of the tax system, which is under the responsibility of the ministère du Revenu (MRQ). In addition, over 90% are associated with the reports that must be submitted to the government, primarily through the MRQ.

However, these figures require some explanation. Obviously, each of the procedures included in the table does not involve the same degree of difficulty or amount of work: for example, filling out the

3. Barry Bozeman, *Bureaucracy and Red Tape*, Prentice Hall, 2000.

amending declaration that must be filed with the Inspecteur général des institutions financières (IGIF) in order to replace the name of a company administrator is fairly easy, as is the procedure for obtaining a registration certificate from the Société de l'assurance automobile du Québec (SAAQ). On the other hand, to obtain a certificate of authorization under section 22 of the *Environment Quality Act*, which is needed to operate a business likely to discharge contaminants into the environment, a business must not only provide the usual basic information (name, address, etc.) but also a description of the nature and volume of contaminants that might be discharged, a certificate of conformity issued by the municipality concerned, plans, specifications, and so forth. Such requirements, even though they are largely justified from an environmental protection standpoint, engender substantial costs for business firms in addition to causing delays that can sometimes postpone the implementation of structuring economic projects.

It should be noted that over 50% of the 459 types of procedures listed in Table 1 are required by four government departments and agencies: the ministère de l'Environnement (MENV) (71), the ministère des Ressources naturelles (MRN) (63), the Régie des alcools, des courses et des jeux (RACJ) (63) and the ministère du Revenu (MRQ) (53). Of course, each of the firms subject to the regulations imposed by these departments and agencies does not have to perform all of these procedures. Nonetheless, it has been demonstrated, for example, that if an entrepreneur wishes to bring a mining company into production, he may have to obtain up to 24 permits and authorizations, mainly from MENV and the MRN.

TABLE 1

ADMINISTRATIVE PROCEDURES REQUIRED OF BUSINESSES UNDER QUÉBEC'S REGULATORY SYSTEM IN 1998 – 1999

DEPARTMENTS AND AGENCIES[1]	TYPES OF PROCEDURES REQUIRED	NUMBER OF PROCEDURES PERFORMED	CATEGORY		
			AUTORI-ZATIONS	REGISTRA-TIONS	REPORTS
Commission de la construction du Québec	8	380 286	4 498	12 282	363 506
Commission de la santé et de la sécurité du travail	3	435 000			435 000
Commission des transports du Québec	14	62 074	14 345	47 729	
Commission des valeurs mobilières du Québec	13	54 774	598	53	54 123
Emploi-Québec - Ministère de la Solidarité sociale	9	21 323	4 023		17 300
Inspecteur général des institutions financières	29	638 499	1 503		636 996
Ministère de l'Agriculture, des Pêcheries et de l'Alimentation	26	95 028	60 198	33 254	1 576
Ministère de l'Environnement	71	82 130	10 909		71 221
Ministère de l'Industrie et du Commerce	4	4 550	2 414		2 136
Ministère de la Santé et des Services sociaux	13	4 392	4 392		
Ministère des Ressources naturelles	63	804 760	34 102	1 857	768 801
Ministère du Revenu[2]	53	13 035 387	74 583	35 048	12 925 756
Office de la protection du consommateur	9	3 150	2 928		222
Régie des alcools, des courses et des jeux	63	116 300	105 904	4 814	5 582
Régie des marchés agricoles et alimentaires du Québec	21	4 996	2 925		2 071
Régie du bâtiment du Québec	19	199 658	45 877	2 433	151 348
Régie du cinéma	10	82 930	72 710		10 220
Société de l'assurance automobile du Québec[3]	10	1 076 778	1 076 778		
Société de la faune et des parcs	20	6 384	4 722		1 662
Tourisme Québec	1	4 828	4 828		
TOTAL	**459**	**17 113 227**	**1 528 237**	**137 470**	**15 447 520**

Source: Secrétariat à l'allégement réglementaire, Québec government, 2001.

1. This table presents the vast majority of administrative procedures that businesses have to perform. It does not include, however, certain procedures that are used only to a limited extent by some departments and agencies.

2. Between 150 and 200 other types of procedures, such as those relating to all the schedules attached to income tax returns, are not shown here. However, those carried out in respect of the 5.9 million RL-1 slips filed annually for employees are included.

3. This table takes into account the 716 000 registration certificates issued for business vehicles.

Some of the most common administrative actions arising from the above-mentioned procedures are performed for the purposes of RL-1 slips for reporting employee income (4 596 761 actions), returns for the payment of source deductions and employer contributions (3 299 649 actions), income tax returns (2 510 239 actions), registration certificates issued to businesses by the SAAQ (716 288 actions), corporate tax instalments (596 068 actions), wood transportation authorizations and load recordings (676 599 actions), tax returns of individuals carrying on a business (468 671 actions) and annual declarations to the IGIF (442 325 actions). As will be explained later, some of these actions, which must be performed very often, may require fairly little work and occasion few costs for businesses, while others, which have to be performed less frequently, can sometimes demand an enormous amount of work and give rise to considerable costs.

A study of the breakdown of procedures by economic activity sector (see Table 2) reveals that the sectors most affected by these formalities are the resource sectors (farming, forestry, hunting and fishing), followed by manufacturing, the wholesale trade, mining, the arts, entertainment and recreation, and transportation and storage. Table 2 also shows that certain sectors that have to compete internationally are faced with cumbersome administrative requirements that can have an impact on their competitiveness, especially if equivalent requirements do not exist in the jurisdictions with which they compete.

It can be concluded, therefore, on the basis of this overview, that Québec businesses, the vast majority of which are SMEs, currently have to shoulder an administrative burden which may not only affect their competitive capacity in certain sectors and divert them from mission, but also tie up funds that could be devoted to fostering their growth.

TABLE 2

ADMINISTRATIVE PROCEDURES REQUIRED OF BUSINESSES UNDER QUÉBEC'S REGULATORY SYSTEM IN 1998 – 1999[1] BY ECONOMIC ACTIVITY SECTOR

ECONOMIC ACTIVITY SECTOR	BREAKDOWN OF PROCEDURES		
	AUTORI-ZATIONS	REGISTRA-TIONS	REPORTS
Public administration	13	2	15
Farming, forestry, hunting and fishing	56	6	52
Arts, entertainment and recreation	39	4	40
Other services, excluding public administration	21	3	32
Retail trade	25	6	35
Wholesale trade	41	5	48
Construction	28	5	36
Mining and oil and gas extraction	35	3	50
Manufacturing	49	3	49
Finance and insurance	26	3	50
Business management	13	2	30
Accommodation and restaurant services	30	2	31
Information and cultural industries	18	2	32
Administrative, support, waste management and depollution services	24	2	41
Educational services	15	2	29
Real estate, rental and lease services	12	2	29
Professional, scientific and technical services	23	4	38
Public services	20	3	39
Health care and social assistance	21	2	30
Transportation and storage	39	6	38

Source: Secrétariat à l'allégement réglementaire, Québec government, 2001.

1. The sum of the procedures shown in this table is greater than the number of procedures indicated in Table 1 since a single procedure may affect more than one activity sector.

amending declaration that must be filed with the Inspecteur général des institutions financières (IGIF) in order to replace the name of a company administrator is fairly easy, as is the procedure for obtaining a registration certificate from the Société de l'assurance automobile du Québec (SAAQ). On the other hand, to obtain a certificate of authorization under section 22 of the *Environment Quality Act*, which is needed to operate a business likely to discharge contaminants into the environment, a business must not only provide the usual basic information (name, address, etc.) but also a description of the nature and volume of contaminants that might be discharged, a certificate of conformity issued by the municipality concerned, plans, specifications, and so forth. Such requirements, even though they are largely justified from an environmental protection standpoint, engender substantial costs for business firms in addition to causing delays that can sometimes postpone the implementation of structuring economic projects.

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Régie des alcools, des courses et des jeux	63	116 300	105 904	4 814	5 582
Régie des marchés agricoles et alimentaires du Québec	21	4 996	2 925		2 071
Régie du bâtiment du Québec	19	199 658	45 877	2 433	151 348
Régie du cinéma	10	82 930	72 710		10 220
Société de l'assurance automobile du Québec[3]	10	1 076 778	1 076 778		
Société de la faune et des parcs	20	6 384	4 722		1 662
Tourisme Québec	1	4 828	4 828		
TOTAL	**459**	**17 113 227**	**1 528 237**	**137 470**	**15 447 520**

Source: Secrétariat à l'allégement réglementaire, Québec government, 2001.

1. This table presents the vast majority of administrative procedures that businesses have to perform. It does not include, however, certain procedures that are used only to a limited extent by some departments and agencies.

2. Between 150 and 200 other types of procedures, such as those relating to all the schedules attached to income tax returns, are not shown here. However, those carried out in respect of the 5.9 million RL-1 slips filed annually for employees are included.

3. This table takes into account the 716 000 registration certificates issued for business vehicles.

Some of the most common administrative actions arising from the above-mentioned procedures are performed for the purposes of RL-1 slips for reporting employee income (4 596 761 actions), returns for the payment of source deductions and employer contributions (3 299 649 actions), income tax returns (2 510 239 actions), registration certificates issued to businesses by the SAAQ (716 288 actions), corporate tax instalments (596 068 actions), wood transportation authorizations and load recordings (676 599 actions), tax returns of individuals carrying on a business (468 671 actions) and annual declarations to the IGIF (442 325 actions). As will be explained later, some of these actions, which must be performed very often, may require fairly little work and occasion few costs for businesses, while others, which have to be performed less frequently, can sometimes demand an enormous amount of work and give rise to considerable costs.

A study of the breakdown of procedures by economic activity sector (see Table 2) reveals that the sectors most affected by these formalities are the resource sectors (farming, forestry, hunting and fishing), followed by manufacturing, the wholesale trade, mining, the arts, entertainment and recreation, and transportation and storage. Table 2 also shows that certain sectors that have to compete internationally are faced with cumbersome administrative requirements that can have an impact on their competitiveness, especially if equivalent requirements do not exist in the jurisdictions with which they compete.

It can be concluded, therefore, on the basis of this overview, that Québec businesses, the vast majority of which are SMEs, currently have to shoulder an administrative burden which may not only affect their competitive capacity in certain sectors and divert them from mission, but also tie up funds that could be devoted to fostering their growth.

TABLE 2

ADMINISTRATIVE PROCEDURES REQUIRED OF BUSINESSES UNDER QUÉBEC'S REGULATORY SYSTEM IN 1998 – 1999[1] BY ECONOMIC ACTIVITY SECTOR

ECONOMIC ACTIVITY SECTOR	BREAKDOWN OF PROCEDURES		
	AUTHORIZATIONS	REGISTRATIONS	REPORTS
Public administration	13	2	15
Farming, forestry, hunting and fishing	56	6	52
Arts, entertainment and recreation	39	4	40
Other services, excluding public administration	21	3	32
Retail trade	25	6	35
Wholesale trade	41	5	48
Construction	28	5	36
Mining and oil and gas extraction	35	3	50
Manufacturing	49	3	49
Finance and insurance	26	3	50
Business management	13	2	30
Accommodation and restaurant services	30	2	31
Information and cultural industries	18	2	32
Administrative, support, waste management and depollution services	24	2	41
Educational services	15	2	29
Real estate, rental and lease services	12	2	29
Professional, scientific and technical services	23	4	38
Public services	20	3	39
Health care and social assistance	21	2	30
Transportation and storage	39	6	38

Source: Secrétariat à l'allégement réglementaire, Québec government, 2001.

1. The sum of the procedures shown in this table is greater than the number of procedures indicated in Table 1 since a single procedure may affect more than one activity sector.

THE COST OF ADMINISTRATIVE PROCEDURES

In its June 2000 report, the Advisory Panel said that, if Québec's regulatory system is assumed to be comparable with that in effect in OECD countries, the total cost of the administrative procedures imposed on Québec businesses could be equal to roughly 3% of Québec's gross domestic product (GDP), or $6 billion. It should be noted, however, that this percentage includes all of the procedures that firms have to perform: that is, not only those that stem from Québec regulations, but also those required by federal and municipal levels of government.

These figures provide, of course, only an approximate idea of how much administrative procedures cost Québec firms. Moreover, they do not allow any distinction to be made between procedures that are necessary for good governance and those that are less useful; nor do they provide any indication as to the benefits a society derives from the regulations that underlie these administrative procedures as a whole. To fully appreciate the advantages generated by regulatory controls, it is necessary to determine the difference between their costs and benefits, i.e. their net benefit.

With a view to learning more about these questions, the Advisory Panel recommended in its June 2000 report that the government entrust an independent expert with the task of devising and proposing a method for calculating the total administrative burden stemming from government regulations. The government agreed to this request and conferred a mandate for this purpose on the Centre interuniversitaire de recherche en analyse des organisations (CIRANO).[4]

In accordance with this mandate, CIRANO first proposed a framework for analyzing various issues relating to the regulatory process (types of regulatory measures, usefulness of cost-benefit analyses, etc.). It then did a critical analysis of the main studies conducted outside Québec (primarily in the United States and by the OECD) and of the methodology applied during these studies. CIRANO then proposed two methods for evaluating the overall cost of Québec's administrative burden. The Advisory Panel had originally requested that CIRANO provide a preliminary assessment of the total administrative burden placed on businesses by existing regulatory controls. However, CIRANO encountered a number of problems, including a lack of data relating specifically to Québec, and the Panel therefore abandoned the idea of obtaining such a preliminary assessment.

To illustrate the administrative burden in concrete terms, the Advisory Panel described and evaluated some of the procedures identified in the recent government survey of administrative formalities. **Appendix 2** provides a brief description of the nature of these procedures, the work they require of businesses and a summary assessment of the costs they generate.

The Advisory Panel chose 8 procedures that seemed fairly representative of the entire range of existing ones (459 in all) and which are performed for the purposes of:

1) the annual declaration filed with the IGIF (397 080 administrative actions, according to Table 1);

2) the mechanical inspection certificate required by the SAAQ (320 700 administrative actions);

3) the statement of wages that construction companies must submit to the Commission de la santé et de la sécurité du travail (CSST) (20 000 administrative actions);

4) the return for reporting goods and services tax (GST) and Québec sales tax (QST) (2 510 239 administrative actions), and the attendant GST-QST system;

5) the *Act to foster the development of manpower training* (30 429 administrative actions);

6) the RL-1 slip (4 600 000 administrative actions) and the *Summary of Source Deductions and Employer Contributions*;

7) the implementation of pay equity in businesses with 10 to 49 employees (36 000 administrative actions);

8) the issue of authorization certificates under section 22 of the *Environment Quality Act*.

In the Advisory Panel's opinion, these procedures clearly illustrate the hefty administrative burden that business firms have to shoulder in order to satisfy their regulatory obligations. Although the Panel does not intend, in describing these formalities, to call them or their underlying regulations into question, it does strive to demonstrate the enormous amount of work that remains to be done in the public sector in order to streamline administrative procedures and at the same time allow the government to achieve its objectives.

Cost assessments have been conducted in recent years by the Canadian Federation of Independent Business (CFIB), which has over 20 000 members in Québec, most of which are SMEs. In one instance, the CFIB asked its members to inform it of how many hours they have to devote per week to complying with government administrative formalities. Approximately 60% of firms said that they devote up to 4 hours per week, while 15.6% reported they spend up to 6 hours per week. These cost studies

4. Centre interuniversitaire de recherche en analyse des organisations, *Méthodologies d'évaluation globale du coût des charges administratives imposées aux entreprises québécoises*, Report submitted to the Secrétariat à l'allégement réglementaire, April 2001.

also revealed that small enterprises must devote more hours, on a per-employee and weekly basis, to performing administrative procedures than large firms do: for example, while large companies with 50 to 99 employees spend only half an hour on such tasks, small ones devote nearly three hours to them.[5] On the basis of other studies,[6] the CFIB estimates that small businesses with 0 to 4 employees must spend over $3 000 per year just to meet the administrative requirements relating to Québec's tax system, while firms with 5 to 19 employees have to disburse close to $5 500. The CFIB also estimates, in the light of the same studies, that the total administrative cost of Québec's tax system for businesses is roughly $2 billion.

A recent CFIB survey[7] of 8 200 Canadian agrifood businesses (939 answers received) provides insight into how this administrative burden affects this economic activity sector in Québec. The study concluded that slightly over 50% of agrifood firms spend 3 or more hours per week meeting government administrative requirements, while 15% spend six or more hours. The study concluded as well that the problem is most serious in Québec, given that 80.7% of respondents said that they had noted a significant increase in the number of administrative procedures in the agrifood sector over the past few years.

These figures show that the application of Québec's regulatory framework occasions enormous costs for businesses, particularly SMEs. As will be seen in a later section of this report, these costs have a direct impact on entrepreneurship and the competitiveness of firms. Therefore, steps must be taken to make the public sector more sensitive to these realities and encourage it to alleviate the administrative burden with a view to stimulating investment and job creation in Québec.

IRRITANTS LINKED TO ADMINISTRATIVE PROCEDURES

As mentioned earlier, many of the procedures required of businesses might seem useful for good governance. Business people do not criticize such procedures, which, in some cases, may be comparable to those imposed in other jurisdictions for similar purposes. However, they do decry their cumulative impact, the complexity of the forms and guides that accompany them, the lack of harmonization among government departments and agencies, overly long response times, and problems relating to the accessibility and quality of information.

THE CUMULATIVE IMPACT OF ADMINISTRATIVE PROCEDURES

When considered individually, each of the administrative requirements imposed on businesses may seem justified from a public administration standpoint. However, when they are considered as a whole – regardless of whether they are justified – they represent a great deal of work and enormous costs for firms, especially small ones, and can thus affect their growth.

The report of June 2000 mentioned a large number of requirements arising solely from the application of regulatory controls governing the sale of alcoholic beverages in Québec. In particular, the report pointed out that a new entrepreneur wanting to open a restaurant can be subject to some 15 Québec statutes and regulations. This is not to mention all the federal and municipal regulations that add to this already hefty regulatory burden.

In this report, the Advisory Panel would like to illustrate the cumulative effect of the various administrative requirements imposed on businesses by describing the case of campground operators. This is a particularly eloquent example since the type of firms involved are generally small ones that operate on a seasonal basis (four to six months per year) and have fairly low sales. Small campground operators, which together employ over 5 000 workers in a single season, are important to regional economies, given the additional spending they generate in the food and camping equipment sectors. The Advisory Panel does not want to pass judgment on the need for these procedures, since some are designed to ensure public health and safety or to protect the environment. However, it would like to demonstrate that when the formalities imposed on small campground operators are considered as a whole they can represent a substantial burden.

An entrepreneur who would like to open a campground must, in addition to contacting the municipality concerned, first determine, depending on whether his campground is to be located in an agricultural zone, on public land or in the vicinity of a wildlife habitat or a watercourse, which authorizations he has to obtain from the various authorities involved: namely, the Commission de protection du territoire agricole (CPTAQ), the MRN, the Société de la faune et des parcs du Québec (FAPAQ) and MENV. He must then follow the appropriate procedures. Even though no fees are payable in respect of these procedures, the latter require time and money. For example, it takes at least 60 days to obtain a green zone authorization from the CPTAQ and often longer to receive a certificate of authorization from MENV. In applying for all the authorizations needed to open a campground, entrepreneurs often have to seek out professional expertise and must inevitably cover the costs such services entail.

5. Ted Mallet, Chief Economist, *Taming the Paper Beast: Small Business Proposals to Reduce Federal Government Paper Burden*, Canadian Federation of Independent Business, November 1994.

6. Philippe Arnau, *Small Business and Revenu Québec*, Canadian Federation of Independent Business, October 1997.

7. Robert Meijer, Agri-business Policy Analyst, *Controlling the Costs of Government*, Canadian Federation of Independent Business, May 2000.

Once a future campground operator has obtained the necessary authorizations, he must then decide on a judicial form for his business, choose a name and register with the register of Québec businesses. In addition, to actually begin operating his new campground, he must register with a number of departments and agencies. Registering with the Ministère du Revenu, for example, is required for the purpose of managing the various remittances he must make in the capacity of a government mandatary (source deductions, GST-QST, QPP, etc.). Once a campground is in operation, operators have to obtain, on an annual basis, a number of permits and authorizations and observe certain formalities.

Table 3, which appears below, provides a list of compulsory and optional procedures applicable to campground operators and indicates the frequency with which they must be performed. The fees charged in respect of these procedures are also indicated, but readers must realize that such charges represent only a portion of the total costs engendered by these formalities. The time it takes to carry out these procedures, fill out forms, read attendant guides, and so forth is not included in the amounts shown here. The optional procedures listed in the second section of the table are those which an entrepreneur may have to observe if he decides to offer his customers additional services such as a convenience store, a laundromat, a snack bar, a pool or a restaurant.

In addition to having to register with various government departments and agencies and obtain permits and authorizations, entrepreneurs wishing to operate a campground must apply for all the authorizations needed, for example, to build waterworks and sewer systems, install electrical equipment, construct buildings or a pool and lay out a beach. For this purpose, they often have to hire professionals to prepare plans and specifications or are obliged to negotiate with the government authorities concerned. All of these procedures give rise to additional costs.

The average sales figure of a 100-site campground in Québec is $100 000. On the basis of the above table, it is possible to gain a good grasp of all the administrative work and costs occasioned for a small business of this type. According to the figures provided in the table and the cost assessments discussed earlier, the Advisory Panel estimates that campground operators can easily have to devote up to 10% or even 15% of their total sales to satisfying administrative requirements.

The public sector has to realize that each new formality it introduces adds to the host of procedures that already exist and that their cumulative impact represents enormous costs for small firms.

COMPLICATED FORMS AND GUIDES

Several of the procedures that businesses have to follow involve filling out complicated forms, which are often accompanied by guides that do not really simplify the process. Many eloquent examples exist, such as the 55-page guide designed by the MRQ to make it easier to fill in RL-1 slips and the *Summary of Source Deductions and Employer Contributions* for 2000. Few entrepreneurs are able to understand this guide and comply with the procedures it prescribes.

The Advisory Group has learned that approximately 1 500 forms or related documents have been drawn up to enable business firms to discharge their obligations toward the Québec government. One merely has to look at a few of these forms and their attendant guides to gain an idea of the work and therefore the costs they can engender for small business entrepreneurs who wish to fill out the forms themselves.

Government authorities must also realize that complex regulatory requirements in turn lead to substantial costs for the public sector. The mechanisms implemented at the MRQ alone for explaining fiscal rules to taxpayers and mandataries are a case in point. The more complicated procedures are, the more government services are swamped with information requests, which in turn entail additional costs.

POORLY HARMONIZED PROCEDURES

The business community has informed the Advisory Panel about the lack of consistency and harmonization in many of the procedures required of businesses by government departments and agencies. For example, two or three branches of the same department sometimes issue forms requesting the same information from a business rather than communicating it among themselves, or two different departments ask for two separate reports on the same subject rather than simply exchanging pertinent data. On top of this duplication, there is a lack of consistency in the definition of terms, such as business and payroll, in the various statutes and regulations. Indeed, there is no lack of examples to illustrate these problems.

These facts tend to indicate that government institutions often work in isolation and do not communicate very much with one another. They must network to a greater extent and harmonize their activities in order to reduce the burden they impose on business firms and the general public.

So far, it has been fairly difficult for the Advisory Panel to launch initiatives aimed at resolving the above-mentioned problems given that departments

TABLE 3

ADMINISTRATIVE PROCEDURES APPLICABLE TO CAMPGROUND OPERATORS[1]

DESCRIPTION	D/A	Cost	Frequency
COMPULSORY PROCEDURES, in respect of:			
Annual declarations (legal publicity)[2]	IGIF	$79.00	Annually
Amending declarations	IGIF	$0.00	Occasionally
Remittances – GST/QST, ASDs -alcohol and tobacco	MRQ	$0.00	Monthly
Income tax returns	MRQ	$0.00	Annually
Information slips for employees	MRQ	$0.00	Annually
Assessments – CSST	CSST	$0.00	Annually
Swimming water analyses	MENV	$0.00	Bi-monthly
Drinking water analyses[3]	MENV	$960.00	Bi-monthly
Sub-total		**$1 039.00**	
OPTIONAL PROCEDURES, in respect of:			
Liquor permits - Restaurant or bar	RACJ	$450.00	Annually
Additional authorizations - Dancing	RACJ	$310.00	Annually
Liquor permits - Terrace	RACJ	$450.00	Annually
Liquor permits - Grocery	RACJ	$120.00	Annually
Liquor permits - Reunion	RACJ	$300.00	Occasionally
Licences – Sale of alcoholic beverages[4]	MRQ	$30.00	Once
Restaurant permits	MAPAQ	$300.00	Annually
Publicity contest licences	RACJ	$85.00	Occasionally
Amusement machine operator's licences[5]	RACJ	$600.00	Annually
Recreational bingo licences	RACJ	$0.00	Annually
Certificates of conformity - Public swimming pools and wading pools[6]	MENV	$0.00	Once
Voluntary rating – Camping Québec[7]		$75.00	Annually
Fish pond operating licences	MAPAQ	$75.00	Annually
Permits for the sale of propane	RBQ	$225.00	Annually
Sub-total		**$3 045.00**	

Source: Secrétariat à l'allégement réglementaire, Québec government, 2001.

1. This table lists only those obligations that arise from Québec's regulatory system. It does not take into account costs relating to business start-ups (incorporation, authorization certificates, etc.) or the time and resources needed to perform the required procedures.

2. Annual declaration fees range from $38 to $79 depending on the judicial form of the business concerned.

3. These costs have been calculated on the basis of two analyses per month per well: in the assumption used here, the campground operates four months a year and has two wells. A recently published draft regulation respecting drinking water indicates that the number of compulsory monthly analyses per well might be increased to eight, which could raise costs to around $3 840.

4. A tax of 7% per hectolitre of alcoholic beverages sold must be remitted to the MRQ.

5. This $600-charge represents a minimum fee, given that the amount of duties payable depends on the number of amusement machines placed at the disposal of customers: in this assumption, $200 has been charged for an amusement machine operator's licence, $300 for registering a pinball machine and $100 for registering a pool table.

6. No fees are charged for a certificate of conformity. However, certain regulatory standards (particularly section 95 of the Regulation respecting public wading and swimming pools) have a significant impact on pool construction costs.

7. This voluntary rating program may become compulsory for all tourist establishments in 2001.

and agencies often do not seem very receptive to the idea of changing their ways. New information and communications technology (NICT) could help to remedy many of these situations, but departments and organizations would have to be prepared to call their current practices into question.

OVERLY LONG RESPONSE TIMES

As already mentioned in the Advisory Panel's previous reports, business people criticize administrative procedures particularly when they cause delays that in turn postpone, often unduly, the implementation of projects. Improvements have been made in several departments and agencies, including the MRN and MENV, but response times are still too long in some cases, even at MENV, compared with those observed under similar circumstances in neighbouring jurisdictions.

Therefore, much remains to be done to reduce the overly long response times related to certain administrative procedures.

INFORMATION ACCESS PROBLEMS

Despite the progress made regarding access to information, it is often difficult to obtain from government departments and agencies the information needed to comply with the various procedures requested. Business people still have to wait too long on the telephone, are referred to too many people and sometimes receive incoherent explanations, all of which leave them even more confused and represent a costly waste of time.

As mentioned in previous reports, a host of business assistance services in the form of local development centres (CLDs), local employment centres (CLEs), and community development assistance corporations (SADCs), intended mainly for small firms, are now found throughout Québec. However, these services are so numerous that it is hard for entrepreneurs to find their way among the many players involved.

The government has to look closely at this service supply problem, particularly in the regions, with a view to grouping resources more efficiently, ensuring that the actions of the various players involved are more consistent and, if all players must be maintained, encouraging them to network. In short, the ultimate goal must be to improve the supply of services. To facilitate business start-ups, the government must also study the possibility of establishing not only one-stop service outlets but also gateways, or portals – to use a data processing term – such as the one being designed by the ministère de l'Industrie et du Commerce (MIC) in collaboration with the ministère des Relations avec les citoyens et de l'Immigration (MRCI).

IMPACT OF THE ADMINISTRATIVE BURDEN ON BUSINESSES

The plethora of administrative procedures and the costs associated with them have major repercussions on businesses. Although the Advisory Panel is unable to accurately measure their impact, it estimates, based on the reports it received and the studies it consulted, that these factors affect, first and foremost, the start-up, growth and competitiveness of firms, particularly SMEs. Effects vary, of course, from one sector to another, given that some sectors (e.g. resource sectors) are more regulated than others; however, in cases where profit margins are already very low (e.g. food sector), any new regulations can have a direct impact on the competitive capacity of firms and on the prices paid by consumers.

SMES ARE THE HARDEST HIT BY ADMINISTRATIVE PROCEDURES

It is now known that SMEs are affected by government administrative requirements to a somewhat greater extent than large firms are. The above-mentioned OECD study of 7 859 SMEs in 11 different countries has, like other similar analyses, confirmed this situation.[8] According to this study, the administrative burden on small businesses in these jurisdictions is disproportionately large, saddling them with per-employee costs that are five times greater on average than those imposed on large companies.

Québec's economy is dominated by SMEs. According to the most recent figures,[9] 95.8% of the 196 000 or so employers in Québec have at least 50 employees, and roughly 91%, at least 20 employees. This is not to mention the some 500 000 self-employed workers (farmers, consultants, etc.), all of whom constitute micro-businesses that are answerable to the government. In other words, the vast majority of Québec businesses are very small enterprises, whose owner is often the only person responsible for managing and developing the firm, in addition to having to satisfy government administrative requirements.

The amount of time available to these "small entrepreneurs" is known to have a determining impact on the development and growth of their business and therefore on job creation. However, unlike the heads of large firms, who can entrust administrative procedures to other employees, entrepreneurs in charge of small companies have to devote precious time to these tasks themselves. During a recent survey[10] of several hundred farmers

8. OECD (PUMA) international business survey comparing the regulatory environment of businesses, July 2000.

9. Ministère de l'Industrie et du Commerce, *Les PME au Québec. État de la situation*. 1999 edition.

10. Robert Meijer, Agri-business Policy Analyst, *Controlling the Costs of Government*, Canadian Federation of Independent Business, May 2000.

across Canada, 77.8% of Québec farmers who responded said that either they or their spouse comply with all the necessary government formalities themselves. Given that more than 50% of them have to devote over three hours per week to this task and 15% over six hours, there is reason to believe that the overall administrative burden has a direct impact on their ability to undertake or launch new projects.

However, if small entrepreneurs do not have the technical capacity to conform to government administrative requirements themselves, they have to entrust this responsibility to outside experts. This can tie up financial resources that are important to their firms, especially if they are far from financially stable. In such instances, administrative procedures have a detrimental effect.

IMPACT OF ADMINISTRATIVE PROCEDURES ON BUSINESS START-UPS

Although entrepreneurship can depend on a multitude of factors (structural and cyclical conditions, availability of venture capital, educational factors, etc.), the Advisory Panel believes that the cumulative impact of administrative requirements and the costs they entail can have a negative effect on the creation of businesses.

As seen earlier with regard to campground operators, it is not unusual for Québec business people to have to comply with 5 to 10 administrative procedures relating to registrations, permits, certificates and so forth in order to get their projects off the ground. These procedures occasion costs for new entrepreneurs and can often cause delays that discourage them from pursuing their plans.

While the Advisory Panel is well aware that the administrative burden is just one of the many factors that can affect entrepreneurship, it has noted that the number of business start-ups has decreased substantially in Québec since the early 1990s. Over the past decade, the number of businesses created on an annual basis was sometimes as much as 10 000 less than during the 1980s and, some years, the number of businesses that were shut down was even greater than the number created.

In the course of its work, the Advisory Panel received reports from young entrepreneurs who feel weighed down by the administrative burden and, in some cases, have even abandoned their projects because of all the requirements they have to meet. It therefore urges the government to be very careful not to increase the existing regulatory and administrative burden and thereby ensure that it will not impede the creation of businesses in Québec.

IMPACT OF THE ADMINISTRATIVE BURDEN ON THE GROWTH OF BUSINESSES

The Advisory Panel also believes that the total administrative burden arising from the regulatory framework can have a negative effect on the growth of firms and, even though it is not the only factor involved, play a major role in their demise. A study by Statistics Canada[11] considered regulations in isolation from all the other elements responsible for business failures in Canada. According to 22.2% of the bankrupt firms studied, regulatory controls were an important, very important or crucial factor in their closure. A total of 7.7% attributed their failure to the legislative provisions that regulate industry and labour.

Therefore, a number of the problems that may be encountered by small businesses as they grow are a direct result of the regulatory and administrative burden. Once again, the various levels of government must take care not to add to this administrative load or place firms in a position where it is more difficult for them to compete.

THE NEED TO TAKE ACTION

Even though the total administrative burden on Québec businesses is deemed fairly hefty, Québec is not the only economic area that has to cope with this situation.

The international business survey conducted by the OECD (PUMA)[12] in 11 member countries revealed that the problem is just as serious in these jurisdictions. A number of OECD and non-OECD countries have thus adopted measures aimed at better controlling their regulatory process and alleviating the administrative burden on firms. The Bologna Charter, mentioned earlier, testifies to their recent acknowledgement of the regulatory and administrative burden placed on SMEs.

In studying the regulatory reform initiatives of various countries, the Advisory Panel noted that some jurisdictions have already taken major steps to exempt SMEs from certain administrative obligations. A recent report by the Better Regulation Task Force of the United Kingdom[13] identified similarities between the regulatory frameworks of the United States, Germany and Italy and stressed that small firms must be released from a number of obligations, on the basis of certain criteria (e.g. number of employees, profit levels), in order to avoid hampering their growth. Similar approaches are needed in Québec.

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11. John Baldwin et al., *Failing Concerns: Business Bankruptcy in Canada*, No 61-525 XPF, Statistics Canada, November 1997.

12. OECD (PUMA) international business survey comparing the regulatory environment of businesses, July 2000, Note 8.

13. Better Regulation Task Force, *Helping Small Firms Cope with Regulation*, United Kingdom.

Even though the Advisory Panel recognizes that the Québec government has implemented important measures since 1996 to lighten the administrative burden on businesses, it has also noted, and the administrative procedures survey confirms this, that much remains to be done to cut down on formalities and thus foster entrepreneurship.

According to the most recent survey of CFIB members,[14] small businesses say that government regulations and administrative procedures are still their major concern.

The Advisory Panel strongly urges the government to ensure that substantial efforts are made to significantly reduce the administrative burden that is impeding the start-up and growth of small enterprises in Québec. It suggests that major changes be effected to achieve tangible results over the short and medium term.

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14. CFIB, *Our Members' Opinions*, No. 41, January 1998.

THE FIRST SOLUTIONS PROPOSED

In the preceding section of this report, the Advisory Panel described the total administrative burden on businesses and strove to evaluate the cost of this burden and determine its impact on the start-up and growth of firms. This preliminary overview of administrative procedures as a whole has convinced the Panel that major steps must be taken to limit the introduction of new administrative requirements and eliminate the less useful ones imposed by the current regulatory system.

Given that the administrative burden on businesses is mainly attributable to the application of tax legislation and the regulation of the labour and environment sectors, the Advisory Panel has decided to re-examine certain issues relating to fiscal and environmental regulations even though it already dealt with these questions at length in its June 2000 report. It has also decided to briefly discuss certain administrative irritants arising from the occupational health and safety system, which were not covered in that report. Lastly, in view of the reports it received during the consultations conducted in 1999 and 2000, the Advisory Panel would like to make a few recommendations on certain economic sectors that are often neglected in Québec, namely, tourism and retailing.

THE NEED FOR SWEEPING CHANGES

As mentioned earlier, Québec's regulatory framework imposes administrative requirements and costs on businesses that have a significant impact on the start-up, growth and competitiveness of firms.

In recent years, the government has implemented measures that have reduced, by hundreds of thousands, the number of permits and authorizations issued to businesses. At the same time, however, it has continued to adopt new regulatory measures, although less rapidly than before, and has thus created new obligations for business firms. As a result, the total regulatory and administrative burden has grown.

It is important to counter this trend and even to implement sweeping changes immediately in order to rapidly alleviate the administrative burden on Québec businesses.

Consequently, the Advisory Panel recommends:

> **That the 20 departments and agencies listed in Table 1 of this report be required to observe a two-year moratorium, except where absolutely impossible, on the introduction of new administrative requirements for business firms (permits, reports, forms, etc.) arising from draft legislation and regulations submitted to the government for approval;**
>
> **That these departments and agencies be nonetheless allowed to prescribe new administrative requirements for firms provided they reduce by an at-least-equivalent proportion the administrative obligations they impose through other regulatory mechanisms under their responsibility.**

However, in the Advisory Panel's opinion, this moratorium alone will not suffice and should be supplemented by another measure designed to gradually reduce the administrative burden on businesses stemming from the current regulatory framework.

Consequently, the Advisory Panel recommends:

> **That the 20 departments and agencies whose administrative procedures have already been inventoried be required to reduce their procedures by at least 20% over the next two years compared with the number recorded in 1998-1999.**

The Advisory Panel feels that this measure is needed mainly to ensure the departments and agencies concerned will make a real effort to cut down on the number of administrative obligations imposed on small businesses.[15] It suggests that these bodies be allowed all the latitude they need to decide which procedures (permits, registrations, reports or other) should be targeted. In the Panel's opinion, the reform process currently under way in the public sector would lend itself well to this type of exercise, which is the only approach likely to produce significant results within a reasonable time frame and heighten awareness in the public sector.

MEASURES TARGETING GENERAL REGULATIONS

The Advisory Panel would like to re-examine three different types of regulatory measures that impose the most cumbersome administrative requirements on businesses, namely, tax legislation, environmental regulations and certain aspects of the occupational health and safety system.

15. The labour union representatives on the Advisory Panel have commented on these recommendations. Their opinions appear on page 52.

APPLICATION OF TAX LEGISLATION

In its first two reports, the Advisory Panel paid special attention to various irritants or problems related to the application of tax legislation. This is because, need we reiterate, over 75% of the procedures and costs imposed on businesses under Québec's regulatory system derive from the application of these laws. Therefore, tax legislation is considered the primary factor responsible for the administrative burden that the government has placed on firms. Consequently, it is not surprising that the Advisory Panel has decided to propose new measures for reducing the administrative requirements stemming from tax legislation.

THE COMPLEXITY OF TAX LEGISLATION

Once again, the Panel would like to decry the complexity of Québec's tax system, even though it already discussed this problem in its previous reports. While it is true that the tax systems of most countries, including Canada, are quite complicated, it seems that Québec's system is especially complex on account of several factors.

On the one hand, the Québec government has adopted a number of social policies, mainly with regard to manpower training and the collection of support payments, which differ from those in effect in neighbouring jurisdictions and which add to the complexity of its tax legislation. Even though the Advisory Panel does not intend to question the principles that underpin these policies, it would nonetheless like to mention that they exist. One such policy concerns the contribution to Québec's manpower training fund, the Fonds national de formation de la main-d'œuvre. To compute the only figure that must be included in respect of this contribution on the *Summary of Source Deductions and Employer Contributions*, businesses must perform several administrative procedures to calculate their expenses and determine which ones are eligible. These procedures often require dozens of hours of work.

It is also common knowledge that the Québec government increasingly uses the tax system as an economic development tool. The MRQ administers some 55 tax credits for businesses, not to mention those intended for individuals. Even though some of these credits are not that well known or utilized to a great extent, they represent potential administrative procedures for firms. Once again, the Advisory Panel is not questioning the pertinence of these tax credits, many of which have a positive impact on economic development (e.g. the tax credits for R&D). However, it would like to point out that they make the tax system more complex. During the survey of administrative procedures, the MRQ drew up a list of roughly 150 to 200 procedures arising from the tax legislation, some of which have to be performed by businesses in specific situations. With each Budget Speech, new measures are added to those already in place, but no real effort is made to simplify procedures. As a result, the system becomes even more complicated.

The complexity of the tax system is attributed mainly to the diversity of clienteles and the need to prevent tax evasion. While tax evasion prevention measures are no doubt justifiable from social and government standpoints, they also help to make the system much more unwieldy. In fact, the system has become so complex that entrepreneurs increasingly claim they do not always understand what they are approving when their accountants ask them to sign documents in order to fulfil their administrative obligations toward the MRQ. They believe, rightly or wrongly, that they have lost control over these administrative actions, even though they are the ones who will be held fully responsible if any irregularities are noticed.

The Advisory Panel would like to point out, based on the data provided in the MRQ's annual report, that the complexity of the tax system is particularly hard on SMEs. Although such businesses contribute less than large firms do to government revenues, they are the ones most affected by this cumbersome system. Therefore, the Panel has no choice but to insist that the tax system be simplified. On the basis of what it has observed in neighbouring jurisdictions, it believes that this can be done without reducing the government's revenue.

SIMPLIFICATION EFFORTS BY THE MRQ

Although the MRQ is unable to simplify the tax system per se, it has taken several steps in recent years to improve the quality of services to business firms and to individuals who carry on a business. For example, it has harmonized the GST and QST systems to a large extent, eliminated several thousand permits and certificates (e.g. for tobacco and fuel), reduced certain delays in the issue of certificates and permits (e.g. QST registration) and aligned a number of Québec's provisions with those of the federal government. It has also simplified numerous forms, improved guides, substantially increased electronic communications with business firms, made its telephone services more efficient and acted upon dozens of the recommendations made in the report on the improvement of relations between the MRQ, taxpayers and mandataries *(Rapport du groupe de travail sur l'amélioration des relations entre le ministère du Revenu, les contribuables et les mandataires)*, published in 1994.

More recently, the department tabled draft legislation (Bill 141) that was adopted by the National Assembly, providing for the suspension of collection measures when taxpayers contest notices of assessment. This initiative, which was eagerly awaited by the business community, implements one of the recommendations of the Advisory Panel's June 2000 report.

Despite these achievements, other improvements are needed. In its last report, the Advisory Panel made about a dozen recommendations aimed at simplifying certain aspects of the tax system. Although it is still too early to pass judgment on the MRQ's efforts to act on these recommendations, discussions between the Panel and MRQ representatives suggest that the department will implement several of them within a reasonable time frame.

NEW MEASURES PROPOSED BY THE ADVISORY PANEL

After consulting with the business community in summer 2000, the Advisory Panel approached the MRQ about a few new problems relating to tax legislation. It would like to re-examine these problems here and make appropriate recommendations. First, however, it wishes to propose a solution that might reduce the overall complexity of the tax system.

Simplifying the tax system

In the course of its work, the Advisory Panel met with representatives of the ministère des Finances (MFQ) to discuss the possibility of simplifying Québec's tax system, particularly for small firms that contribute very little to government revenues.

The department was open to the idea of exploring, in collaboration with the Panel, how this could be achieved, and even suggested forming a task force made up of representatives from the MFQ, the MRQ and the Advisory Panel on Regulatory Reform, if the latter's mandate is renewed.

To take advantage of this opportunity, the Advisory Panel recommends:

> **That a task force made up of representatives from the ministère des Finances, the ministère du Revenu and the Advisory Panel on Regulatory Reform or, if the latter's mandate is not renewed, business associations be set up to study possible ways of substantially simplifying Québec's tax system, particularly for small and medium-sized enterprises.**

Studying the administrative impact of new fiscal measures

The Advisory Panel is aware that the MFQ is the main artisan of the government's fiscal and budgetary policy. As for the MRQ, it is responsible for administering the government's fiscal programs (that is, the measures designed and recommended by the MFQ) and all the fund collection and redistribution programs entrusted to it by the government. In the Advisory Panel's opinion, the fiscal measures proposed by the MFQ are not always properly evaluated with regard to their effectiveness and, especially, their administrative impact on businesses.

The Advisory Panel recommends:

> **That the ministère des Finances be asked to consult more extensively with the ministère du Revenu before it introduces new fiscal measures in order to determine the administrative impact of these measures on business firms, and to select, in collaboration with the MRQ, the least cumbersome means (i.e. forms, controls) of implementing them.**

Simplifying the corporate income tax return (CO-17)

Every year, incorporated businesses (roughly 320 000 in Québec) must file a return with the MRQ to report their corporate income tax and their tax on capital (form CO-17). Sole proprietorships, limited partnerships and general partnerships do not file corporate income tax returns, since their profits are included in the tax returns of their owners or members, who are required to pay personal income tax.

A large number of small companies have to hire the services of an outside accountant or a tax specialist to fill out form CO-17. If the form were less complicated, more businesses would probably do their income tax returns on their own and save a considerable amount of money.

Given that a simplified form is now available for individuals, the Advisory Group wonders whether the possibility of developing a simplified version of form CO-17 for companies should be explored. This form could be used by a large number of small enterprises and would save a great deal of time and money.

Many firms could also simply be exempted from filing income tax returns. Emerging businesses that are eligible for the five-year tax holiday with respect to corporate income tax, the tax on capital and the contribution to the Health Services Fund (HSF) would fall into this category.

The Advisory Panel recommends:

> **That the ministère du Revenu and the ministère des Finances be asked to jointly:**
>
> - **explore the possibility of further simplifying form CO-17 for corporations;**
> - **prepare a "simplified" corporate income tax return (form CO-17) for small businesses in Québec, similar to the simplified form for individuals;**
> - **study the possibility of exempting emerging businesses that are eligible for the tax holiday with respect to income tax, the tax on capital and the contribution to the Health Services Fund from filing corporate income tax returns.**

Downloading personal and corporate income tax return software

NICT use is a promising approach for reducing the administration burden on businesses, and the efforts made in this regard by the MRQ in recent years are commendable. Since 1997, taxpayers have been able to transmit their income tax return data electronically (EFILE program) if they so wish through a certified transmitter. In 2000, the MRQ went a step further and allowed personal income tax returns to be filed via the Internet. However, taxpayers who want to file their returns in this way must purchase income tax software at a cost of between $25 and $35.

Taxpayers derive several advantages from filing their tax returns electronically. Not only does this reduce the time they have to spend preparing their returns and the time it takes the department to process them, but it also reduces the risk of errors and thus the procedures required to correct them.

The MRQ would save million of dollars by making wide-scale use of electronic means for the preparation, filing and processing of annual personal and corporate income tax returns. Given that Québec and Canadian tax legislation are being increasingly harmonized, both taxpayers and the government would benefit enormously if both levels of government collaborated on allowing taxpayers to download the same income tax return software from both federal and provincial Web sites or, even better, on making it possible for legal persons and individuals who carry on a business to prepare their income tax returns on line.

The MRQ was hesitant to accept this proposal, alleging that it would have an impact on the software-producing industry. Nevertheless, the Advisory Panel believes that it is possible to reconcile the department's various objectives.

The Advisory Panel recommends:

> **That the ministère du Revenu offer both individuals and corporations free access to income tax return software, or that it take steps to allow tax returns to be prepared on line.**

GST and QST refunds for exporting firms

The Association des manufacturiers et des exportateurs du Québec and certain other groups have informed the Advisory Panel of a problem affecting businesses that export most of their products. The problem is related to the financing of investments made by exporting firms in equipment and particularly to the financing of the GST and QST payable when such equipment is purchased. Financial institutions refuse to finance these taxes owing to the uncertainty surrounding the latter's reimbursement by both levels of government. Given that it takes far too long for exporting firms to receive GST and QST refunds, these companies have to resort to one of the following solutions: they finance taxes on equipment purchases out of their working capital, which, by definition, is needed to finance their current operations; they purchase equipment in other countries where they do not have to pay sales tax; or they abandon their investment plans. Non-exporting firms do not have the same problem since they pay GST and QST to the government on a net basis. They can thus finance these taxes out of the amount of GST and QST they collect for both levels of government on sales they make in Québec or Canada.

The problem described here is encountered by all Canadian firms that sell a large share of their products abroad. It was suggested to the Advisory Panel that a GST-QST tax credit system aimed at eliminating the problem of financing these taxes when production equipment is purchased be implemented on a trial basis. However, until such a system is in place, the Panel proposes that the MRQ devise a faster method for refunding these taxes.

Consequently, the Advisory Panel recommends:

> **That the ministère des Finances du Québec be asked to explore, in collaboration with federal authorities, the possibility of setting up a GST-QST tax credit system for exporting firms that are chronically faced with financing problems related to the GST and QST payable on their equipment investments.**

Reducing the number of documents required

Many business people, especially those who own small firms, complained about the number of documents required by the MRQ. They pointed out that some of these documents are already available in other government departments or agencies, such as the IGIF, or have already been sent to the MRQ. They also said that certain form letters do not seem to be adapted to the department's real information needs, in that they ask businesses questions for which the answers are already on file.

Consequently, the Advisory Panel recommends:

> **That the ministère du Revenu ensure that the only information it requests from business firms and from individuals carrying on a business is that which cannot be obtained from other government sources and which is necessary for the sound administration of tax legislation.**

Shortcomings in the training of tax assessors and auditors

Owing to the growing complexity of the tax system and the changes constantly made to tax legislation and to the programs administered by the MRQ, businesses's information needs have increased substantially. Although the MRQ has taken several steps to meet these needs, business associations stressed that it is important to step up training initiatives for audit and information officers who have direct contact with firms. According to the

MRQ, it already devotes 2% of its payroll to training. However, the Advisory Panel feels that additional efforts are needed.

Consequently, the Advisory Panel recommends:

> **That, because of the complexity of Québec's tax system, the ministère du Revenu should step up its training efforts for employees who have to deal directly with business firms.**

Methods used to calculate penalties and interest

During its consultations with business people, the Advisory Panel often heard that it is almost impossible to determine what methods the MRQ uses to calculate the penalties and interest it charges taxpayers and mandataries. Owing to the risk of error, firms should be able to check whether the penalties and interest charges claimed by the MRQ have been calculated properly.

Consequently, the Advisory Panel recommends:

> **That the ministère du Revenu be asked to indicate, on all notices of interest charges or penalties addressed to businesses, what means it has used (periods, rates, computation methods, etc.) to calculate the amounts claimed.**

Providing names and telephone numbers on documents sent to businesses

Even though certain measures have already been taken in this regard, several representatives from the business community said that telephone numbers are still not indicated on notices, letters and forms sent out by the MRQ, a situation that causes major delays for people who need information. Some representatives complained that they waste a great deal of time trying to find out which MRQ employee will be able to provide them with the information they require to answer a notice or letter from the department. The problem is compounded by the fact that telephone lines at the MRQ, as in many other government departments and agencies, are often overloaded. To help alleviate this problem, documents sent to businesses by the MRQ should, as frequently as possible, provide the name and telephone number of the person to be contacted if further information is needed. This measure might not only save firms time, but also help to reduce the overloading of MRQ telephone lines.

The Advisory Panel recommends:

> **That the ministère du Revenu indicate as often as possible on all correspondence addressed to businesses the name and telephone number of a person who can be contacted easily to obtain additional information and explanations.**

Offsetting accounts payable to the MRQ

Another irritant brought to the attention of the Advisory Panel is related to the existence of more than one account in the name of individual firms at the MRQ. The problem arises, for example, when a corporation is deemed to owe an amount including interest to the MRQ in respect of one of its accounts, but has another account at the department whose balance is higher than the amount claimed. Considering the substantial difference that still exists between the rate of interest the government pays on amounts it owes taxpayers and the rate it claims on amounts owed to it, businesses are often penalized when more than one account exists in their name at the MRQ. However, this problem has been alleviated to some extent by the new offset policy announced in the March 2001 Budget Speech in respect of refund interest on overpayments of corporate tax and interest owing on unpaid corporate tax.

Consequently, the Advisory Panel recommends:

> **That the ministère du Revenu ensure that each firm is informed of any accounts payable it has at the department and, where applicable, that these accounts be used to offset outstanding debts.**

Reducing delays

The administrative procedures arising from the application of tax legislation can sometimes cause fairly long and costly delays for businesses. The MRQ is making major efforts to reduce the time it takes to carry out certain tasks, such as processing notices of objection. However, it still takes too long to process requests for information and applications for the review of certain files.

In the Advisory Panel's opinion, the formality and file processing system sometimes unduly penalizes business firms. For example, if it takes time to process files because of delays at the MRQ, the interest on amounts payable to taxpayers is calculated at a rate of about 5%. However, if businesses are responsible for document filing delays, the interest on the amounts they owe to the MRQ is calculated at a rate of 10% per year and these firms are often required to pay penalties as well.

Consequently, the Advisory Panel recommends:

> **That the ministère du Revenu be asked to set stricter rules regarding the time limit for processing files and formalities that affect businesses.**

ENVIRONMENTAL REGULATIONS

During its consultations with business associations in 1999 and 2000, the Advisory Panel received several reports on administrative irritants arising from the regulation of the environment sector. These irritants stem mainly from some of the administrative requirements and practices imposed by MENV as part of authorization procedures under the *Environment Quality Act*, mainly those prescribed by sections 22 and 31.5. In particular, the business community decried the delays and information

requirements associated with the enforcement of these sections, which can occasion considerable costs and red tape for firms. They can even lead to the loss of business opportunities when the department's decision-making time frame exceeds the deadline an entrepreneur sets for deciding whether to go ahead with a project and the market outlook changes in the meantime.

According to **Table 1** on administrative procedures, 71 different procedures were required at MENV in 1998-1999, prompting businesses to perform a total of over 82 000 administrative actions in order to comply with these procedures. These administrative actions were associated with nearly 11 000 authorizations of all sorts and involved the issue of some 4 000 authorization certificates under section 22 of the Act for projects likely to have an environmental impact, as well as the preparation of over 71 000 reports designed to demonstrate that certain conditions set in the environmental regulations would be satisfied. Even though these 82 000 administrative actions account for only a small proportion of all those imposed by Québec's regulatory system, they often represent a quite hefty and costly administrative burden because of all the information needs and time they entail. This is particularly true of authorization applications and reports that require the transmission of daily records of sampling operations and analyses conducted to monitor and control the potential discharge of contaminants into the environment.

In its June 2000 report, the Advisory Panel made specific recommendations to improve various aspects of the application of environmental regulations. Although it is still too early to fully assess what the government has done in this regard, we can measure the progress made at MENV since last June on the basis of the steps it has taken in the wake of these recommendations.

STEPS TAKEN BY MENV SINCE THE ADVISORY PANEL'S LAST REPORT

As mentioned earlier, the recommendations made in the Advisory Panel's June 2000 report focused primarily on the following: the various formalities arising from certain sections of the *Environment Quality Act*, namely, section 22, respecting applications for authorization certificates, and section 31.5, pertaining to the environmental impact assessment procedure; the need to recognize the role that private-sector professionals can play in attesting to the environmental conformity of projects; depollution attestations; and the mechanisms proposed by MENV for streamlining its administrative procedures.

The Advisory Panel has met with departmental representatives in order to discuss these issues and would like to report on the steps that have been taken to implement some of its recommendations.

With regard to the recommendation that the process for issuing authorization certificates under section 22 be streamlined and, in particular, that delays and information requirements be reduced, the department has reiterated its commitment to ensuring that 80% of certificates of authorization are issued within 90 days. In spring 2000, the department informed the Advisory Panel that 77% of such files were already being processed within an even shorter period.

To achieve its objective of 80%, the department plans to review its certificate application forms in order to simplify and, if possible, standardize them. It also intends to redefine the processing framework for cases needing special expertise in an effort to cut down on the time it takes to study such projects. Moreover, in accordance with a new in-house procedure, an analyst will apparently be assigned to each authorization application as soon as it is received with a view to making communications between applicants and the department more personal and efficient. These analysts will be required to inform businesses within a fairly short time frame (e.g. 5 days) if any information needs to be added to their file. Although the Advisory Panel applauds these initiatives, it feels that the department could surpass its proposed objectives by reducing processing time to even less than 90 days for over 80% of applications for authorization certificates.

MENV has informed the Advisory Panel of its intention to submit a proposal to the government shortly for exempting certain activities from the need for a certificate of authorization. It also plans to modify the procedure that obliges project proponents to obtain certificates from municipalities to attest to the conformity of their projects with municipal by-laws, and to ensure, if municipalities do not issue such certificates within 60 days, that projects will be deemed to conform to their by-laws. The Advisory Panel suggests that this time limit be reduced to 30 days.

As for the recommendation on reducing delays and refocusing the environmental impact assessment procedure on its original objectives, the department would like to set implementation schedules with businesses at the very beginning of projects, as it already does from time to time. It would also like to study the possibility of allowing no more than one request for additional information once impact studies have been received. This measure would be particularly justified in cases where public hearings are held when a project is first proposed.

Deliberations are apparently under way at MENV with regard to two other recommendations made in the June 2000 report: namely, the recommendation that the content of government orders in council issued under section 31.5 be harmonized with that of the certificates of authorization which are

required under section 22 and sometimes stem from such orders in council; and the recommendation that the project notification submitted by a proponent to launch the environmental impact assessment process serve as an application for authorization under section 22. Ensuring that orders in council deal only with the general aspects of a project and that the authorization certificate focuses on more specific elements would make it easier to manage future changes.

Apparently, an internal task force is currently working on the recommendation concerning the application of sections 95.1 to 95.9 of the *Environment Quality Act*, aimed at entrusting private-sector professionals with more responsibility regarding the environmental conformity of projects. This task force has been mandated to define new activity areas in which an outside professional could be asked to attest to project conformity. MENV has already indicated that it plans to apply this approach to the authorization of waterworks and sewer system projects and wastewater treatment initiatives and to the characterization and rehabilitation of contaminated land. The Advisory Panel endorses the department's policy wholeheartedly.

It also appears that MENV is striving to harmonize its activities with those of FAPAQ. Indeed, greater harmonization of the measures implemented by these two bodies would save time and money for businesses wanting to carry out certain types of development projects.

Lastly, the department has informed the Advisory Panel that it intends to adopt an order in council very shortly to make the *Industrial Waste Reduction Progam* (IWRP) applicable to the metallurgy, mining and cement-manufacturing sectors. It also said that it plans to extend the program's application before it streamlines, as the Panel recommended, the process for issuing authorization certificates. However, several associations, which are concerned about the policy directions being considered by MENV in this regard, have voiced opinions on this matter to the Advisory Panel. Given the limited amount of departmental resources available and the fact that they will be devoted over the short term to issuing certificates of authorization to the pulp and paper industry, the Advisory Panel feels that the department would benefit greatly from working with representatives of the metallurgy, mining and cement-manufacturing sectors in order to reduce the administrative irritants arising from the authorization process before it obliges these sectors to comply with this procedure.

While the Advisory Panel agrees in principle, like the business community, with the IWRP, it feels that this program could have major repercussions on the new industries targeted, particularly because the air emissions issue concerns these sectors far more than it does the pulp and paper industry.

In short, the Advisory Panel agrees with many of MENV's orientations. It has noted, however, that even though the department has reduced the time it takes to issue authorization certificates and has adopted several other measures aimed at resolving the various problems raised to date, it has still not implemented some of the proposals and reforms announced over the past few years. Therefore, the Advisory Panel feels that it could adopt several administrative streamlining measures, like the ones mentioned above, without amending existing laws and regulations or jeopardizing the achievement of its environmental objectives, most of which are also supported by the business community.

Consequently, the Advisory Panel recommends:

> **That the ministère de l'Environnement be officially mandated to propose a schedule to Cabinet for implementing concrete administrative streamlining measures that are in keeping with those recommended by the Advisory Panel in its June 2000 report and that target in particular the authorization process prescribed by sections 22 and 31.5 of the *Environment Quality Act*.**

SOLUTIONS TO A NUMBER OF NEW IRRITANTS MENTIONED BY BUSINESSES

The Advisory Panel would now like to discuss a number of new administrative irritants that were mentioned in the reports submitted by certain business associations in summer 2000. All of these irritants could be eliminated without introducing major legislative or regulatory amendments.

Streamlining authorization procedures for certain projects

The Advisory Panel believes that administrative procedures should be streamlined for projects that do not increase the amount of contaminants discharged into the environment and that may even reduce them. Such projects should not be treated in the same way as those which have or might have a negative environmental impact.

In the Advisory Panel's opinion, a report submitted by the Quebec Forest Industries Association (QFIA) clearly illustrates the need for this approach. Since 1994, the QFIA has worked with MENV to streamline the administrative process for issuing certificates of authorization for paper mills that wish to recycle their waste materials. The department first defined provisional criteria for the use of fertilizing residues for agricultural, horticultural, silvicultural or composting purposes, which were published in 1997. The QFIA then collaborated with nine other industrial groups on establishing, in conjunction with MENV and the Bureau de normalisation du Québec (BNQ), a standard for the use of liming residues and ash for soil conditioning purposes. The standard and the certification process were published in 1997 and 1998 respectively.

At present, paper mills recover nearly three quarters of a million tonnes of residuals for agricultural, silvicultural and composting purposes annually. In theory, however, they could recover nearly twice that amount. The quantity of waste materials recycled is limited by various impediments, some of which are of a legal and administrative nature.

As far as the administrative procedures for recycling residuals are concerned, it appears that the process for issuing authorization certificates is still very cumbersome and tedious, despite the fact that some projects have been in existence for over five years. For example, the department requires paper mills to obtain a certificate of authorization each time residuals are spread on a given lot. A typical mill deals with some 40 farm producers, each of whom farms several lots and carries out spreading operations once or twice a year. Year in year out, each mill has to apply for roughly 80 certificates just for the purpose of recycling its waste materials. In addition, each application must contain a detailed spreading plan, spreading dates, residue analyses, letters of authorization from the producers and municipalities concerned and a plan regarding communications with local residents. In cases where there is no risk for public health or the environment, the Advisory Panel feels that the process should be streamlined.

Consequently, the Advisory Panel recommends:

> **That the ministère de l'Environnement be mandated to propose a separate streamlined procedure to Cabinet by next year for projects that reduce or do not increase the amount of contaminants discharged into the environment.**

Exemption of certain projects from the environmental impact assessment procedure

Section 2 of the *Regulation respecting environmental impact assessment and review* describes the types of projects that are subject to this procedure. Given that this regulation has been in effect for roughly 20 years, MENV has acquired enough experience with its application to determine whether the regulation accurately reflects present realities or needs to be amended.

To ensure that the *Environment Quality Act* is applied effectively, the Advisory Panel thinks that it would be possible to exempt certain small-scale projects that are now known to have little or no environmental impact from the environmental impact assessment and review procedure. Proponents of such projects could merely be required to apply for a certificate of authorization. The department has already exempted certain projects of this type (e.g. certain wildlife management initiatives and aerial spraying projects against *Bacillus thuringiensis*), and other streamlining measures of this nature could no doubt be introduced.

The Advisory Panel recommends:

> **That the ministère de l'Environnement be asked to evaluate the *Regulation respecting environmental impact assessment and review* and to propose a re-examination of projects subject to it in order to exempt certain ones with a limited environmental impact from the procedure, without jeopardizing environmental protection.**

Streamlining statutory instruments issued by MENV

As it mentioned in its last report, the Advisory Panel believes that the pilot study conducted in the Mauricie for the purpose of combining all the authorization certificates issued to business firms into a single certificate is a promising administrative streamlining measure. In its June 2000 report, the Advisory Panel said that MENV should extend this approach to all parts of Québec in order to streamline authorization procedures. It has noted, however, that the pilot study is still under way and that the department has not indicated that it plans to apply this approach in Québec regions as a whole.

In this regard, the Advisory Panel would like to point out that the implementation of the depollution attestation procedure offers an excellent opportunity for reviewing the various statutory instruments that have been introduced to date and for streamlining the authorization process for new projects in existing industrial establishments.

The Advisory Panel recommends:

> **That the ministère de l'Environnement be asked to extend the pilot study under way in the Mauricie, which is aimed at combining all the statutory instruments issued to businesses into a single authorization certificate per firm, to all administrative regions.**

When the Advisory Panel met with MENV representatives, it noted that the department is increasingly sensitive to businesses's concerns and that it understands the problems they encounter. Nevertheless, it seems that some sections of the department have still not embraced this new administrative culture. To illustrate this, the Panel would particularly like to mention one case that could constitute a step backward with regard to the government's regulatory reform and administrative streamlining objectives.

In the Advisory Panel's opinion, the *Act to amend the Environment Quality Act and other legislative provisions with regard to land protection and rehabilitation* (Bill 156), tabled in fall 2000 and discussed in a parliamentary committee in the winter of 2001, is an example of the kind of measure that could increase the regulatory burden. In an effort to adjust the legislation so that it will foster the

decontamination of land, mainly in cases where land use changes, the department has proposed measures that go beyond the scope of the problem concerned and that are designed to control, through complex and cumbersome regulatory mechanisms, commercial activities for which market forces (e.g. banks) have already established perfectly adequate mechanisms.

The Advisory Panel therefore asks the government, and particularly MENV, to exercise considerable caution in introducing draft legislation of this type and to draw inspiration for future initiatives from, among other things, the proposals made in Chapter 3 of this report on alternatives to traditional regulatory controls.

It should also be noted that the Advisory Panel has learned about situations where the department's approach might needlessly complicate procedures that have been carried out satisfactorily for many years: namely, the recovery and recycling of waste materials, and even intermediate industrial products. Consequently, it asks MENV to carefully study some of the interpretations that might be made of certain sections of laws and regulations initially considered for the purpose of facilitating the recycling of industrial by-products and waste.

OCCUPATIONAL HEALTH AND SAFETY SYSTEM

Several irritants relating to the occupational health and safety system were identified during consultations with business associations in 1999 and 2000.

ADMINISTRATIVE IRRITANTS ARISING FROM THE SYSTEM

The associations decried a number of administrative measures, such as the introduction of electronic transactions with the Commission de la santé et de la sécurité du travail (CSST), which has generated costs for businesses. They also said that when changes are made to the system, it sometimes takes a while for pertinent information and training programs to reach the regions. However, the most numerous and harshest criticisms concerned assessments. First of all, certain stakeholders, such as campground operators, decried the amount of assessments they have to pay. Others, from the construction sector, said that the practice of dividing the activities of individual companies into several different "classification units" makes it more difficult to calculate assessments; they complained that many firms are classified in three of four different units. They also mentioned that, owing to the cyclical nature of the construction industry, it is very hard to prepare statements of wages, an exercise that must be done before assessments are calculated, and said that certain changes had to be made in this regard. Still other businesses pointed out that having to pay assessments at the beginning of the year created cash flow problems for them.

The Advisory Panel is aware that these criticisms are not all of the same magnitude. It also realizes, based on the reports it received from several associations, that Québec businesses do not complain as much as they once did about the burden arising from the occupational health and social services system, and that they acknowledge the efforts made by the CSST to improve client services.

STREAMLINING EFFORTS BY THE CSST

It should be mentioned here that the CSST has made an effort to address many of the concerns expressed by business firms. For example, since 1999, businesses have been able to take advantage of more flexible methods for paying assessments; in particular, payments may now be spread out over a 12-month period. In addition, changes have been made for 2001 to the construction activities classification structure in order to make it easier to administer. It is estimated that a certain number of firms that do construction work will see several of their activities grouped into a single classification unit, which will alleviate the above-mentioned problem.

In general, the CSST has proposed measures that look promising from an administrative streamlining perspective: developing transactional service e-commerce for businesses that wish to use this approach, simplifying form letters addressed to firms, using a single government number (SGN) as the only reference for businesses that so desire, basing prevention and inspection activities primarily on level of risk, and so forth. As far as regulation is concerned, the Advisory Panel has noted that the CSST is capable of devising solutions other than traditional regulatory measures. For example, it has offered small employers the possibility of forming prevention mutual groups, an approach that not only makes the system more efficient but allows concerned businesses to reduce the amount of assessments they have to pay. The CSST is also actively participating in a process aimed at grouping and streamlining occupational health and safety regulations – a total of 5 regulations will be in effect in 2005, compared with 40 in 1997 – and further streamlining efforts are planned. The Advisory Panel has also noted that the CSST would like to pay more attention to the specific needs of SMEs by carrying out initiatives in collaboration with the business community.

OTHER IMPROVEMENTS EXPECTED FROM THE CSST

Given the level of development and still-quite-burdensome nature of Québec's occupational health and safety system, further progress can and must be made in this sector. The agency that manages the system must carefully consider all the requirements it imposes.

Although it is important to mention the progress made with respect to the implementation of the information highway linking the CSST and

employers – which is now claimed to have 4 250 subscribers, accounting for 40% of Québec's total payroll – the technological infrastructures that underpin these advances at the CSST are not very well adapted to the needs of the Commission's clientele. Business firms would like to have access to files via the Internet and be able to fill out forms and so forth on line.

Consequently, the Advisory Panel recommends:

> **That the CSST be asked to adapt its technological infrastructures so that, under the occupational health and safety system, businesses can deal with this agency and access files that concern them in a more convenient fashion, via the Internet.**

With regard to a major irritant identified during the consultations held in 1999, the Commission said that it is thinking about introducing a monthly statement of wages, which would allow employers to spread the payment of their assessments over the entire year (i.e. through monthly or quarterly instalments, etc.) on the basis of the wages they actually pay. The Advisory Panel acknowledges that this would be a major improvement for firms whose activity levels fluctuate during the year. However, the CSST's intentions in this regard are still not perfectly clear, and the Panel believes that it should clarify its policy directions as soon as possible.

Consequently, the Advisory Panel recommends:

> **That the CSST be asked to clarify, within the near future, its policy directions respecting the reporting and calculation of wages and assessments in order to better adapt these aspects of the occupational health and safety system to the reality of firms whose activity levels are difficult to predict.**

MEASURES TARGETING CERTAIN SECTORAL REGULATIONS

During its consultations, the Advisory Panel was informed of many administrative irritants affecting activity sectors related to tourism and the food trade, and it would like to discuss some of these irritants here.

TOURISM INDUSTRY

During its current mandate, the Advisory Panel received numerous reports from various sectors of the tourism industry (restaurant, tourist accommodation, camping and outfitting sectors).

In its 1998 report, the Advisory Panel already acknowledged that there was an urgent need to take action with respect to this heavily regulated industry.[16] The solutions identified at the time were aimed at eliminating superfluous permits, authorizations and requirements, setting up a sectoral one-stop service outlet and transferring responsibility to private-sector stakeholders. During the same period, the Québec government adopted a tourism development policy to allow the various private and public players "to better coordinate their efforts and strengthen partnerships in order to position Québec as one of the top international tourist destinations."[17]

CHALLENGES FACING THE TOURISM INDUSTRY

The tourism industry is made up of very small, often seasonal businesses, which generate substantial sales and provide a large number of jobs rapidly and at low cost, particularly for women and young people. In 1996, the tourism industry engendered revenues of $5.4 billion and comprised 29 000 firms employing over 100 000 people (28% of whom were under 25 years of age). With a 50% increase in receipts from global travel to Québec between 1993 and 1997, our international tourism sector has grown significantly, making tourism Québec's sixth largest export. However, in 1999, Québec was visited by only 13.2% of U.S. tourists to Canada and 22% of tourists from other countries, while Ontario welcomed 47.1% and 32.9% of such tourists respectively. Therefore, Québec lags quite far behind neighbouring competitors with regard to its share of international tourists to Canada.

Despite the strong performance of Québec's tourism sector, the restaurant industry has seen its sales fall by a hefty 22% since 1989, taking inflation into account. As far as bankruptcies are concerned, Québec restaurants account for 39% of restaurant closures in Canada. Québec also has the lowest profit rate in the industry, i.e. 1.8% compared with 4.77% for Canada as a whole.[18]

REGULATORY CONTROLS IMPOSED ON THE TOURISM INDUSTRY

The Advisory Panel has noted that this sector is subject to a large number of regulatory controls and that the administrative burden arising from them is often inversely proportional to the size of businesses typically found in the tourism industry. Municipal by-laws are also a major irritant for tourism firms (municipal tax systems, zoning, etc.). Administering all these increasingly complex regulatory measures requires knowledge and expertise that small entrepreneurs do not necessarily have. Therefore, they are often obliged to have recourse to outside resources in order to meet the requirements stemming from these measures and must then cover the costs they incur as a result.

Even the application of certain general laws governing Québec businesses as a whole (legal publicity, GST-QST, occupational health and safety,

16. *Report of the Advisory Panel on Regulatory Reform to the Prime Minister of Québec*, May 1998, pp. 43 and 44.

17. *Selling Québec to the World, Tourism Development Policy*, Prime Minister's Message, p. 2.

18. Figures obtained from the Association des restaurateurs du Québec.

agricultural zoning, etc.) subjects tourism businesses to specific regulatory provisions that further complicate matters. The minimum wage provisions pertaining to employees who earn tips and those concerning the management of tips by employers for tax purposes are a case in point. The adoption of tobacco legislation has also entailed its share of problems, in addition to imposing costly constraints on businesses that offer restaurant services.

With regard to sectoral regulations, tourism firms have to cope with a wide range of regulatory requirements respecting consumer protection, food safety and quality, the cleanliness of premises, wastewater management, drinking water management, copyright, the serving of alcoholic beverages, public tranquillity, water safety, sports safety, and so forth. Therefore, these businesses must deal with a multitude of government departments and agencies in order to discharge their obligations or obtain information. It should also be mentioned that small tourism firms are visited by inspectors, auditors and police officers to ensure that all of these regulations are properly applied.

During its mandate, the Advisory Panel examined certain Tourisme Québec initiatives that prompted the government to adopt the *Act to amend the Tourist Establishments Act* in June 2000. In the Advisory Panel's opinion, the proposed amendments will alleviate the regulatory burden on businesses in the tourism sector to some extent. Since the scope of the Act will be refocused on tourist accommodations alone, firms active in the restaurant sector will no longer have to obtain a permit from Tourisme Québec (nearly 20 000 permits will thus be cancelled). The annual permit currently required for tourist accommodations (hotels, inns, bed-and-breakfasts, etc.) will be replaced by compulsory rating every two years. According to information obtained by the Panel, the various sectoral associations apparently support the proposals concerned by the above-mentioned bill.

Tourisme Québec is presently working with the various tourism associations on the implementation of a voluntary quality program that could lead to the elimination of certain regulatory standards which, in the industry's opinion, are overly finicky.

Although the Advisory Panel applauds these measures, it would like to reiterate what it already said in 1998 concerning the need for greater collaboration among government departments and agencies if significant streamlining measures are to be introduced for tourism companies. Few concrete results are heralded by the changes proposed above. The Panel would like government bodies that intervene in this economic sector to pay special attention to tourism businesses. However, it also believes that Tourisme Québec should play a leading role in this regard, as did the Ministère de l'Industrie et du Commerce (MIC), when it created a business start-up kit, and the Commission des transports du Québec (CTQ), when it established a one-stop service outlet for carriers.

Based on the above, the Advisory Panel recommends:

> **That Tourisme Québec be mandated to take steps, with the active participation of the main departments and agencies concerned, to significantly reduce regulatory and administrative requirements in Québec's tourism industry (accommodation, camping and restaurant sectors, etc.), and that it be required to submit a report on its activities to the government.**

REGULATORY CONTROLS IMPOSED ON LIQUOR PERMIT HOLDERS

In its June 2000 report,[19] the Advisory Panel decried the host of requirements entailed by regulatory controls that govern the acquisition, conservation and sale of alcoholic beverages by liquor permit holders and that affect the tourism sector in particular. At the time, the Panel noted that these controls were outdated in many respects and recommended that the liquor permit issuing system be overhauled, with a view to requiring only one permit per establishment and combining certain categories of permits. It also recommended that the obligations arising from the *Act respecting offences relating to alcoholic beverages* be rethought in order to modernize the application of the Act. Although the Régie des alcools, des courses et des jeux (RACJ) recognized at the time that reforms were needed in several activity sectors under its responsibility, particularly the alcoholic beverage sector, progress has been very slow in this regard.

Several business associations active in these sectors came before the Advisory Panel once again to ask that existing regulatory controls be eased. To clearly illustrate the finicky nature of these controls, they mentioned, for example, that they prohibit the serving of mimosas (a mixture of champagne and orange juice) to convention delegates at breakfast before 8:00 a.m., even though this is common practice elsewhere in the world.

Based on the survey of administrative procedures conducted by the government over the past year (Table 1), we have been able to identify 63 different types of procedures arising from the regulatory controls administered by the RACJ. In 1998-1999, these compulsory procedures generated a total of 116 300 administrative actions on the part of businesses subject to the application of the statutes, regulations and rules concerned. It should be noted that, in the "alcohol" sector alone, there are 15 different types of procedures, for a total of over 65 000 administrative actions (accounting for nearly 60% of all the actions processed by the RACJ).

19. *Streamlining Administrative Procedures, Report of the Advisory Panel on Regulatory Reform to the Premier of Québec*, June 2000, pp. 27 and 28.

The Advisory Panel has been informed of the initiatives taken by RACJ representatives and the industry since 1998-1999 to address the problems related to the application of the *Act respecting offences relating to alcoholic beverages*. In its opinion, the administrative solutions proposed by the task force created by the RACJ should be implemented in the near future, while the recommendations made by this group with respect to legislative or regulatory amendments should be seriously considered by the RACJ, given that these amendments have been the subject of ongoing discussions between this agency and its partners since June 1998. The Advisory Panel realizes that it is proposing a major reform that will require a great deal of work on the part of the RACJ. However, it also feels that many of the irritants described in its June 2000 report could be eliminated quite quickly, without waiting for the general reform.

The Advisory Panel recommends:

That the Régie des alcools, des courses et des jeux be asked to submit to Cabinet in 2001 concrete administrative streamlining measures targeting businesses that are subject to the regulatory controls governing the acquisition, conservation and sale of alcoholic beverages, as well as an action plan for completing this regulatory reform.

IRRITANTS IN THE COMMERCIAL SECTOR

BUSINESS HOURS OF COMMERCIAL ESTABLISHMENTS

In Québec, commercial establishments' business hours are regulated by the *Act respecting hours and days of admission to commercial establishments*. In accordance with this statute, commercial establishments may be open from 8:00 a.m. to 9:00 p.m. Monday through Friday and from 8:00 a.m. to 5:00 p.m. on Saturdays and Sundays. The Act also stipulates that certain types of establishments are not subject to any rules regarding business hours: in particular, drug stores, food stores, establishments that sell alcoholic beverages, bookstores, tobacco shops, restaurants and gas stations.

Section 59 of the *Act respecting liquor permits* allows restaurants and bars that hold a liquor permit to sell alcoholic beverages from 8:00 a.m. until 3:00 p.m. the following morning. Food stores, on the other hand, are permitted under section 60 to sell alcoholic beverages only between 8:00 a.m. and 11:00 p.m. The Quebec Food Retailers Association (QFRA), which has thousands of members, has asked that such stores be allowed to sell beer and wine the entire time they are open, which in some cases is 24 hours a day.

In the Advisory Panel's opinion, there is no real reason to continue applying discriminatory policies with regard to certain consumer products, such as beer and wine, whose sale is authorized at certain hours but prohibited at others.

The Advisory Panel recommends:

- **That the government study the possibility of re-examining the regulatory provisions that govern the business hours of commercial establishments with a view to easing them;**
- **That all establishments which hold permits for the sale of alcoholic beverages be treated equally with regard to the rules governing the hours at which such products may be sold.**

MARKING SALE PRICES ON ALL ITEMS SOLD IN STORES

The new regulations respecting price marking are designed to exempt storekeepers who use optical price scanners and satisfy certain conditions from having to mark prices on every item in their stores. These regulations oblige such merchants to adopt an accurate pricing policy for products sold in their establishments. However, small merchants who do not have the means to purchase optical scanners cannot take advantage of these easements, yet it is precisely these merchants who own the vast majority of commercial establishments in Québec. Consequently, further efforts must be made to ease price marking regulations, whose application is just as costly for businesses as it is for consumers.

It is also important to mention that Québec's regulatory requirements respecting the marking of sale prices on all items in stores are, to all intents and purposes, unique in North America. Québec consumers seem to be better protected in this regard than those of neighbouring jurisdictions. It might be asked, however, why they have to shoulder the cost of price marking rules that are more stringent than those in force elsewhere. It should be up to consumers to set requirements in this area by patronizing establishments whose price marking policies meet their needs.

The Advisory Panel recommends:

That the Québec government mandate the Office de la protection du consommateur to review existing requirements with respect to the marking of prices on all items sold in stores with a view to easing these requirements, particularly by increasing the number of exempted products and raising the price limit under which this practice is no longer compulsory.

NEW STREAMLINING SOLUTIONS

During its mandate, the Advisory Panel became aware that, in addition to concrete solutions to sectoral or other types of problems, the State has several other means at its disposal for achieving its societal objectives, while at the same time minimizing the administrative burden on businesses and the general public. It would thus like to submit to the government proposals aimed at making more use of new information and communications technology (NICT), which appears to offer considerable potential for reducing the administrative load on businesses and the associated costs.

The Advisory Panel would also like to submit a number of ideas and proposals concerning alternatives to traditional regulatory procedures that are available to the government. In addition, in the last part of this section, the Panel will describe, based on the reports it received, how municipal by-laws impose major restrictions on businesses, over and above those stemming from government regulations. Since municipalities are created by the government, the Advisory Panel feels that the latter should be made aware of this situation so that it can gradually agree with its municipal partners upon the objectives to be achieved and, if possible, on an appropriate approach for attaining them.

MAKING MORE USE OF NEW INFORMATION AND COMMUNICATIONS TECHNOLOGY (NICT)

Communication of all types between government and businesses gives rise to costs and, often, a multitude of inconveniences for firms. NICT has excellent potential to reduce these irritants. Such technology can accelerate exchanges and, in certain cases, help diminish the volume of documents or forms to be handled or stored. It can also provide an opportunity to reduce the administrative burden if, before making the transition to electronic media, government departments and agencies consolidate or streamline their procedures, thereby reducing the number of formalities to be observed by businesses.

As compared to services offered to individuals, government-business communications lend themselves particularly well to the use of new technology, since the volume of transactions involved justifies the investment by both parties in the required processes and equipment.

In addition to reducing the regulatory and administrative burden, new communications technology paves the way for a sea change in the relationship between governments and businesses. Integrated information management and more efficient communication can do away with restrictions imposed by time and place, enable real-time file management, allow for the personalization of information, lessen the number of data entry and processing errors, promote multilateral exchanges and, finally, create business procedures focused more on the needs and characteristics of client firms than on those of government bodies.

The Advisory Panel's June 2000 report included recommendations targeting increased use of NICT by the Québec government. The Advisory Panel suggested, among other things, that the latter accelerate the implementation and use of such technology, not only to make forms, guides and information on regulatory requirements more accessible, but also to make it easier to obtain permits and other authorizations, file reports and pay amounts owed to the government.

The report also urged the government to use the Internet to publish draft regulations and better inform businesses about their regulatory obligations and how to comply therewith.

This issue must be studied anew, given the enormous potential of information and communications technology for simplifying communication between the government and businesses.

BUSINESS NEEDS IN THE AREA OF NICT

For most firms, especially medium-sized and large ones, automation and an Internet hookup are already part of their business procedures, which means that their participation in electronic transmission programs with government departments and agencies does not occasion additional expense.

Prior to the 1990s, the implementation of information technology in business environments was synonymous with the automation of administrative operations. Now, large businesses are almost all hooked up to the Internet, and they use this means of communication for all of their operations, including information searches, promotion of their products and services, market prospecting and, often, e-commerce. According to the results of a survey conducted in the spring and

TABLE 4

RATE OF NICT USE (%) BY SMES (FEWER THAN 200 EMPLOYEES) IN QUÉBEC, BY SIZE

	Use of computers	Internet hookup	Use of a Web site	E-commerce
Total SMEs	**71.2**	**47.9**	**17**	**12.1**
1 to 4 employees (65%)	60.2	37.4	8.6	7.4
5 to 9 employees (14.9%)	81.3	53.6	18.8	15.3
10 to 200 employees (20.1%)	93	72.8	39.6	22.5

summer of 1999,[20,21] 99% of all businesses in Québec with 50 employees or more were equipped with computer systems, and 95% were connected to the Internet.

For SMEs, the situation is somewhat different. Overall, the rate of new technology use varies from low to very high, depending on the size of the business, but automation seems to be progressing rapidly, as indicated by recent studies. One such study,[22] conducted by the Institut de la statistique du Québec (ISQ) on Québec SMEs with fewer than 200 employees, and published in March 2001, showed that 71% of all such businesses use computers, 48% are connected to the Internet, 17% disseminate information on the Web and 12% can process orders for products and services on line. Table 4 shows the breakdown of these data according to business size.

However, the study also revealed that, among those SMEs that use computers but are not hooked up to the Internet, 58% had no intention of obtaining an Internet connection over the next year, while 81% of the firms that did not conduct business transactions via the Internet were not planning to do so in the near future, indicating for the most part that the nature of their business activities did not lend itself to such an approach.

Lastly, on the basis of data on Internet hookup rates, the study concluded that Québec SMEs with over 10 employees show an 11% lag compared with their counterparts in the rest of Canada (73% versus 84%), a gap that should be closed as swiftly as possible.

The Advisory Panel feels that it is important for the development of SMEs in Québec, and for the administrative streamlining possibilities afforded by governmental use of NICT, that measures be taken to make the Internet more accessible to Québec businesses. To this end, it urges the government to promote the use of NICT by SMEs in order to help them catch up and benefit fully from new technology in their dealings with the government. The Advisory Panel thus hails the initiative of the MIC which, as part of its Québec strategy for the development of electronic business *(Stratégie québécoise de développement des affaires électroniques)* announced in April 2000, intends to encourage electronic media use among SMEs and help equip 10 000 of these firms with transactional sites over the next three years. This strategy will undoubtedly better prepare such businesses to carry out electronic transactions with the government.

In a study[23] conducted in 2000, in collaboration with several government departments and agencies, the Centre francophone d'informatisation des organisations (CEFRIO) provided numerous examples of foreign initiatives demonstrating that NICT-based policies, programs and projects can lead to a high level of user satisfaction and substantial tangible benefits for businesses, the general public and governments alike. Seen from the perspective of regulatory reform, new information and communications technology can result in considerably increased productivity in the collection, storage, use and transfer of information and, by the same token, lower costs for governments and their clientele.

The Advisory Panel has noted that no studies have been conducted yet on the specific needs and expectations of businesses regarding the electronic delivery of government services, but it has learned that a research project on this topic is being envisaged by CEFRIO. It is important that such a study be conducted to ensure that the efforts made by the government to improve electronic service delivery meet the expectations of businesses insofar as possible, based on their size, sector of activity, and so forth.

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20. Éric Lacroix and Brigitte Poussart, *L'informatisation des entreprises, portrait de la situation*, Isabelle Quentin, Québec City, April 2000, 175 pages.

21. Brigitte Poussart, *L'appropriation des technologies de l'information et de la communication par les très petites entreprises au Québec – Rapport d'enquête*, CEFRIO, September 1999, 53 pages.

22. Brigitte Poussart, *Rapport d'enquête sur l'adoption du commerce électronique par les PME québécoises*, March 2001, ISQ, 44 pages.

23. CEFRIO, *De meilleurs services aux entreprises grâce aux nouvelles technologies*, September 2000, 97 pages.

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23. CEFRIO, *De meilleurs services aux entreprises grâce aux nouvelles technologies*, September 2000, 97 pages.

Without making any assumptions as to the results of such a study, the Advisory Panel believes that several business firms, especially small ones, will undoubtedly want to continue, in the short and medium term, communicating with government departments and agencies using conventional methods (telephone, mail, fax, personal contacts). The use of NICT by the government in its contacts with this clientele should thus be an additional means of service delivery that can complement the other methods used.

In summer 1999, the Advisory Panel undertook far-reaching consultations involving most industrial and commercial sectors. The reports it received on this occasion showed that government administration is criticized most frequently for problems such as the difficulty businesses encounter in obtaining necessary information from government authorities, the time it takes to receive the information or authorizations requested, the obligation to repeatedly undertake similar procedures with several different departments and agencies, and the volume of paperwork to be handled, forwarded or stored.

GOVERNMENT PROJECTS AND ACHIEVEMENTS IN THE AREA OF NICT

As part of its mandate, the Advisory Panel had the opportunity to hold discussions with government representatives responsible for the information highway and electronic service delivery within the government.

It immediately realized, based on the concrete achievements described during these discussions, that the Québec government has already made great strides with regard to NICT use in its contacts with businesses; for example:

- the Québec government portal (MRCI);
- access to the business register (IGIF);
- filing of employers' statements and accessing employers' files (CSST);
- electronic transmission of returns in respect of income tax, source deductions and other remittances, as well as of various forms (MRQ);
- granting of mining, petroleum and gas rights; dissemination and sale of maps; filing of timber harvesting reports (MRN);
- on-line consultation of national building codes (RBQ);
- electronic publication of calls for tender of $25 000 or more (Conseil du trésor);
- electronic publication of calls for tender (Hydro-Québec);
- job bank (MSS);
- registration with the register of personal and movable real rights (MJQ);
- business information bank (MIC);
- Horace databank for investors and promoters (ISQ);
- one-stop service outlet for new carriers (CTQ).

The Advisory Panel has noted that the situation is progressing rapidly because a number of departments and agencies that are particularly important for businesses (MRQ, CSST, MRN) offer firms the possibility of using electronic services, while several others have plans to this end. On a more general level, projects aimed at enabling certain transactions such as filling out and submitting forms and streamlining data collection by government departments and agencies to be conducted via electronic media are on the drawing board.

In the same vein, a business start-up kit operating via electronic links with various departments and agencies should be on line as of spring 2001. This project is an ambitious one, involving the participation of 22 departments and agencies, referring to some 140 permits and authorizations, and regularly updating over 500 links with the three government levels and the private sector. The Advisory Panel's last report endorsed this project strongly.

The Panel has thus observed that the government is in the process of thoroughly modernizing its methods of service delivery. In this regard, it is favourably disposed toward the government's current approach, which provides leeway to departments and agencies wishing to implement electronic service delivery projects while at the same time maintaining control, for the benefit of all, over the components of these electronic systems that can subsequently be used by the government as a whole: for example, transaction security and information protection.

NICT-RELATED CHALLENGES FOR THE PUBLIC SECTOR

Despite these laudable achievements and the timeliness of the projects currently being developed, much remains to be done before businesses and the government can communicate easily, obtain the information they require and conduct the necessary transactions via electronic media.

Currently, the Québec government uses NICT mainly for disseminating general information. Most, if not all, departments and agencies already have a Web site where businesses can find basic information on the services and programs available and on the regulations in force. However, the disadvantage of these sites is that they offer a fragmented overview (i.e. department by department) of the information and services pertinent to the business in question. They are not designed to fulfil the specific needs of

businesses as a whole, much less provide a given firm with information concerning its particular situation (e.g. the status of its file). Instead, these sites indiscriminately target all persons or groups likely to be interested in the mandates and activities of the department or agency in question, and serve more as a government showcase than as a service outlet businesses can use to find answers to their questions. Lastly, a certain number of sites are not updated regularly enough, creating irritants for firms and often causing them to give up on consulting such sites.

It is already difficult enough for businesses to find information regarding the requirements to which they are subject by regulation or the eligibility criteria for specific programs, let alone obtain electronic versions of the forms they need to fill out in order to discharge their regulatory obligations (registration, permit applications, filing of reports, etc.) or to register for government programs (e.g. financial assistance). It should be noted, however, that the possibilities of conducting electronic transactions are even more limited. Very few departments or agencies currently offer businesses the opportunity to fill out forms and reports on screen and submit them via e-mail or other technological media.

Following the presentation of a preliminary version of the business start-up kit by the representatives of the MIC and the MRCI, the Advisory Panel observed that such projects, although highly desirable, run a considerable risk of not fulfilling their promise of administrative streamlining. Indeed, with regard to electronic service delivery, government departments and agencies must strive to take advantage of this technological transition in order to review ways of delivering products and services and, where possible, to simplify guides and forms and eliminate overlapping and duplication in the collection and processing of information submitted by each client firm.

Another challenge for all government administrators, in the context of the development of electronic service delivery, is to shift, where possible, from a piecemeal approach, i.e. department by department, to a network approach. This change will call for a re-engineering of the internal procedures of government organizations so as to align them with the needs of their clientele.

In this context, the issues of privacy and protection of personal information will become increasingly important when implementing transactional services, although they are less relevant for businesses than for individuals. Aspects relating to transaction security and the reliability of the service offered will also be vital.

In short, the transition to NICT raises numerous challenges for one and all. Beyond the implementation of new methods of issuing permits or collecting payment of certain fees, the emergence of a whole new administrative culture and way of doing business must be fostered not only within departments and agencies but also within business firms, regardless of their size. As such, NICT development projects must be seen as investments that are likely to bolster the competitiveness of Québec's economy, rather than as a source of fruitless expense.

Information and communications technology can help improve the way government departments and businesses communicate in the context of the drafting and application of laws, regulations and programs. It can thus ease the administrative irritants that firms complain about in their contacts with departments and agencies.

Lastly, electronic delivery of government services cannot contribute to reducing the administrative burden on businesses unless it is carried out in compliance with standards of high quality. More specifically, the services offered on the Internet by government departments and agencies must conform to a standardized procedure.

THE ADVISORY PANEL'S PROPOSALS

Although it is on the right track, the Québec government's current approach to delivering services to businesses electronically has led the Advisory Panel to recommend a number of additional solutions. However, before discussing these recommendations, it would be advisable to look at initiatives being taken elsewhere in the world in this area.

WHAT IS BEING DONE BY OTHER ADMINISTRATIONS

Several governments have begun making the transition toward electronic service delivery to individuals and businesses. The United States, France, Ireland and the United Kingdom are interesting examples in this regard.

In December 1999, the President of the United States asked all federal departments and agencies to make a decisive move toward electronic service delivery. He demanded, among other things, that the forms required for the 500 government services most commonly used by the public be made available on line starting in December 2000 and, where appropriate, that electronic transactions be enabled by October 2003.

In June 2000, the U.S. president announced[24] the implementation of a Web site that would serve as a gateway to all government services (Web portal).[25] One of the functions of this site is to supply the information required to start up a business,

24. Press release issued by Bill Clinton, President of the United States, June 26, 2000, http://www.govexec.com/dailyfed/0600/062600j2.htm.

25. U.S. government Web portal, http://www.firstgov.gov/.

consolidate the procedures used to apply for and receive financial assistance from various government programs, and allow participation in the bid and award process for all federal procurement opportunities above $25 000.

The French government has also set up a Web portal to its government services,[26] which are broken down according to centres of interest. One of these centres is intended for businesses and professionals, who can use the site to find general or specific information (regulations, government contracts, social declarations) and forms. In fact, according to a directive issued by the French prime minister, all government departments were to have made the forms relevant to their areas of jurisdiction available on line by the summer of 2000.

Ireland, whose strong economic growth is currently the envy of numerous countries, has also provided businesses with a Web site that not only facilitates contacts with the government, but also assists both local and foreign businesses in getting set up in Ireland. The Advisory Panel noted, based on testimony by the Business Software Alliance,[27] that the industrial sector is satisfied with the quality of the results achieved in this area by the Irish government.

The United Kingdom has also set policy and objectives with a view to making the transition to electronic government (e-government). In a White Paper[28] released in 1999, the British government announced its intention of making information about regulations more accessible from a single source and increasing opportunities for businesses to respond electronically to demands for information from the government. It also indicated that it was funding a study aimed at developing a single business register to provide electronic identification of businesses for their dealings with the government. In a subsequent document, published in September 2000, the same government expressed its will to make all government services available on line by the end of 2005. Beyond these specific commitments, Britain's electronic service delivery strategy is based on a vision of government services that focuses first and foremost on the needs of users. According to this vision, business and individuals do not have to know how the government is organized in order to obtain information, launch a procedure or receive a service.

The United Kingdom carried out a comparative study[29] of the various strategies adopted by the G-7 nations in implementing electronic service delivery to businesses, which gave rise to the following obser-vations:

- this method of service delivery creates expectations as to the speed and quantity of the services delivered;
- a full re-engineering, within the government, of current service delivery processes is necessary if products are to meet expectations and be adapted to electronic media;
- conventional service supply must be maintained;
- the protection of personal information and transaction security must be taken into account;
- these new services must be marketed;
- a commitment from the highest level of government is essential.

Analysis of these diverse experiences, in light of the efforts made in Québec to date, led the Advisory Panel to formulate a number of recommendations.

RECOMMENDATIONS

As observed earlier, Québec business firms, especially small ones, lag slightly behind in the use of NICT, which may not only undermine their development but also prevent them from benefiting fully from the numerous possibilities that this new technology will soon offer in terms of electronic delivery of government services. Earlier, the Advisory Panel pointed out that the MIC had adopted a Québec strategy for the development of e-business; the inclusion in this strategy of a component that covers the adoption and widespread use of NICT by SMEs would be a good idea.

Consequently, the Advisory Panel recommends:

> **That the government, and more specifically the ministère de l'Industrie et du Commerce, strongly encourage, using appropriate measures, small and medium-sized enterprises to adopt NICT, so as to ensure they benefit fully from the enormous possibilities soon to be offered by the electronic delivery of government services.**

Although it is already apparent to the Advisory Panel that the adoption of NICT will entail numerous benefits for businesses, regardless of their size or sector of activity, it can only endorse the carrying out of a study designed to specify the needs and expectations of firms based on their size, and to enable the supply of on-line government services to be adjusted to corporate realities.

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26. French government Web portal, http://www.service-public.fr/.

27. Press release of October 9, 2000, address given by Bertie Ahern, Prime Minister of Ireland, upon receiving the CyberChampion Award presented by the Business Software Alliance, http://www.irlgov.ie/taoiseach/press/current/09-10-2000A.htm.

28. British government, *Modernising Government*, March 30, 1999, http://www.citu.gov.uk/moderngov/whitepaper/4310-05.htm.

29. British government, *International Benchmarking Report 2000, Research on attitudes to and usages of technology*, http://www.ukonlineforbusiness.gov.uk/Government/govresearchframe.htm.

Consequently, the Advisory Panel recommends:

That the government encourage CEFRIO or another organization to conduct a study designed to specify the needs and expectations of businesses in terms of NICT, based on their size and sector of activity, in order to enable the government to adjust its supply of electronic services to corporate realities.

On the other hand, given that a sizeable number of self-employed workers and small businesses may wish to continue, for a certain period, dealing with the Québec public sector using conventional modes of communication (telephone, mail, fax, etc.), the Advisory Panel also recommends:

That the government, while encouraging self-employed workers and small businesses to shift rapidly to electronic modes of communication, continue to offer the services required for their development via conventional modes, given that these firms and workers have fewer Internet connections than large businesses.

As mentioned earlier, the transition to NICT affords the government an ideal opportunity to streamline its administrative procedures, especially the formalities it requires businesses to observe. Indeed, it would be regrettable, especially in the current context of government reform, that unwieldy administrative procedures (complex guides and forms, overlapping formalities, etc.) undergo the digital shift as well, not to mention the language problems (e.g. the definition of terms) already posed by government statutes and regulations.

The Advisory Panel has observed, notably by examining the business start-up kit project, that the government still has a great deal of work to do in order to simplify its forms designed for business firms. As mentioned earlier, there are some 1 500 forms used by businesses, hundreds of them on a regular basis.

Consequently, the Advisory Panel recommends:

That the Québec government mandate those responsible for the reform of public administration to ensure, in collaboration with the Secrétariat à l'allégement réglementaire and the departments and agencies concerned, that the administrative procedures arising from Québec's regulatory system, especially those relating to government forms, be simplified before allowing them to be performed via electronic media.

It was mentioned earlier that the MRQ has already made considerable progress in the use of NICT in its contacts with taxpayers but, given that over 75% of the government's administrative procedures stem from the application of tax legislation, the Advisory Panel recommends:

That the Québec government give priority to projects dealing with the application of tax legislation when it carries out its plan of action to implement NICT for electronic service delivery to businesses and the general public.

The Advisory Panel has also noted that the services the government offers or is capable of offering to both businesses and individuals can be divided into two main categories. The first includes specific services delivered to businesses by a single department or agency, generally for the purpose of enforcing sectoral regulations. This category comprises reports to be submitted periodically to a department or agency, tax remittances, inspections and audits, compensation, sectoral assistance programs, information for businesses, and so forth.

The second category comprises service clusters that can be provided by several departments or agencies and that aim to give comprehensive answers to businesses on specific questions concerning, for example, registration procedures when firms are starting up, delivery of the various certificates, attestations and authorizations required to operate in a specific commercial sector, assistance programs and changes of address.

While aiming to implement solutions that yield the greatest overall benefit, government departments and agencies should use technological means to avoid collecting the same information from businesses repeatedly, or obliging them to provide similar reports to various government authorities.

Consequently, the Advisory Panel recommends:

That the government devise a strategy for the electronic delivery of services to businesses that eliminates duplication in collecting information (e.g. when a business is starting up or changing its address) by providing for a single data-input process that can be used by several departments or agencies.

Lastly, based on initiatives implemented elsewhere in the world, the Advisory Panel recommends:

That steps be taken to devise and maintain high standards of quality for electronic service delivery, involving:

- **constant updating of the information presented;**
- **logical presentation of information based on the needs (start-up, hiring, investment projects, etc.) and specific profiles of each business category (sector of activity, location, number of employees, etc.);**
- **accurate replies to all information requests;**
- **rapid response and transaction times;**
- **harmonization of presentation methods and transaction protocols.**

Implementation of these recommendations would result in a substantial reduction of the administrative burden imposed on businesses by government regulations and programs.

ALTERNATE SOLUTIONS TO TRADITIONAL REGULATORY MEASURES

The purpose of administrative regulations and requirements is to oblige businesses, individuals or legal persons to carry out or avoid certain actions. The regulation process imposes these restrictions with a view to achieving certain objectives that society perceives as being desirable (consumer protection, preservation of the environment or natural resources, maintenance of acceptable working conditions, control of market entry, etc.). Its main justification is to compensate for certain market deficiencies (insufficient information, excessive domination of one party, natural monopoly, insufficient market, costs demanded of third parties, etc.) and, in general, to safeguard the public interest. Regulation, which constitutes one of the main intervention tools traditionally used by governments, is presented as being universal, imperative and coercive.

In order to comply with regulatory and administrative provisions, businesses must invest in equipment, purchase supplies, change their production processes and hire additional staff, while governments must devote considerable resources to tracking compliance with regulations in order to enforce them and make sure they have the desired effect. Thus, regulations generate economic costs, in the form of reduced competitiveness of businesses, delays in investment projects and greater government expenditure.

In any case, regulations and the ways in which they are applied are not always as effective as they are expected to be. Regulations are devised based on a global vision of reality or a compromise between diverging interests, and this approximation of reality sometimes bears little resemblance to the actual situation of business firms subject to such regulations. Furthermore, the enforcement of regulations can be limited by a lack of resources, or perceived as being unfair by businesses who feel that lawbreakers are not under close enough surveillance.

In many cases, better or at least comparable results can be achieved using other forms of intervention that are less costly or "irritating" than traditional regulatory controls. What follows is an outline provided by the Advisory Panel of some of these alternatives, from which many OECD countries, eager to minimize the impact of regulation on businesses, especially SMEs, are already drawing inspiration.

THE MAIN ALTERNATIVES TO TRADITIONAL REGULATION

When the government intervenes to induce a behavioural change in economic agents in order to achieve its objectives, it has at its disposal, in addition to traditional regulatory measures, numerous other approaches, which may be divided into five general categories: incentive methods, voluntary agreements, market-type interventions, delegation of powers (self-regulation) and objective-based regulation.

These approaches are described below in ascending order according to their degree of coercion, that is, beginning with the formula that is the simplest for businesses and concluding with the one that occasions them the most restrictions and costs.

INCENTIVE METHODS

Incentive methods can be divided into methods of information and persuasion, depending on whether they target businesses directly or indirectly.

Information

The production and dissemination of information by the government may, in some cases, result in sought-after behavioural changes among businesses. For example, information and advertising campaigns[30] targeted at consumers or clients can sometimes bring about new ways of behaving. The government is not obliged to intervene directly via regulatory measures, when simply disseminating information can achieve the desired results.

Such an approach is often used to modify consumer behaviour; for example, with regard to the side effects of certain medication, the health risks associated with some substances (tobacco, alcohol) and the environmental impact of using specific products.

In this respect, the policy of the Office de la protection du consommateur du Québec (OPC) of posting on the Internet a list of business people against whom formal complaints have been lodged should be underlined. The aim of this policy is to encourage business people to behave ethically and practise self-discipline. This approach serves as an incentive for merchants both to offer better service to their customers and comply with the regulations in force at all times.

Persuasion

Persuasion is another non-invasive means of behaviour modification at the government's disposal. The idea is to provide businesses, through education and awareness-raising, with direct incentives to adopt approaches that are compatible with certain societal objectives.

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30. Agriculture Canada *et al.*, *Assessing Regulatory Alternatives*, 109 pages, revised 1994 edition.

The government can thus encourage manpower training by citing its impact on productivity; promote certification to international standards (ISO) with a view to facilitating access to foreign markets; and bolster innovation and entrepreneurship by advocating the hiring of young graduates through advertising campaigns or by fostering research.

It can also publish guides intended to encourage certain corporate practices. For example, the Institut de recherche Robert-Sauvé en santé et en sécurité du travail (IRSST), funded by the CSST and administered by the latter's board of directors, makes its research results available to its partners and publishes guides containing proposals for solutions to the problems encountered. These documents allow businesses to access the latest discoveries and avoid the rigidity and lengthy adaptation procedures inherent in traditional regulatory mechanisms.

Persuasion can even be used to convince businesses to take behaviour-modification initiatives of their own accord in order to achieve societal objectives.

VOLUNTARY AGREEMENTS

Public administrations can encourage businesses to voluntarily agree to adopt certain behaviour in order to fulfil government objectives. Certain businesses or corporate groupings can come to such agreements themselves and use them as marketing tools,[31] thereby simultaneously avoiding the risks of excessive government control.

These voluntary agreements are generally subject to specific but non-obligatory rules, mainly codes, guidelines or standards that require the practice of self-discipline.

The rules devised in such a context are often highly detailed; they specify actions that must be taken and standards that must be complied with. This is the case for Canadian and Québec standards, including those of the Canadian Standards Association (CSA) and the Bureau de normalisation du Québec (BNQ). They may govern both product quality and aspects such as production processes, health and safety, behaviour toward consumers and environmental protection.

Although these agreements are not obligatory, businesses usually adhere to them willingly, because not doing so could result in a negative perception by their customers and peers, thereby tarnishing their public image and potentially causing them to lose a share of the market.

The Canadian automobile industry recently launched the Canadian Motor Vehicle Arbitration Plan (CAMVAP).[32] This plan allows disputes between consumers and vehicle manufacturers about alleged manufacturing defects or implementation of the manufacturers' new vehicle warranty to be put before a neutral third party (arbitrator) for resolution, and is offered to consumers free of charge. CAMVAP is administered by a board of directors composed of representatives of consumers, governments, and vehicle manufacturers, distributors and dealers. Québec participates in this plan through its consumer protection bureau, and the Québec National and International Commercial Arbitration Centre sits on the CAMVAP board of directors.

The advertising industry has also set up an association that sees to the integrity and viability of marketing through self-discipline. This association, known as Advertising Standards Canada (ASC),[33] administers codes and guidelines, including the Canadian Code of Advertising Standards. The ASC can accept complaints from consumers or competitors, and provides consultative services to the advertising industry. Its members include advertisers, agencies, media organizations, and suppliers to the advertising sector.

Closer to home, retail trade representatives in Québec have envisaged a voluntary agreement with the OPC concerning price accuracy, or the correspondence between the prices shown by optical scanners and those actually advertized in stores; consumer associations were involved in these discussions. Those who complied with the conditions agreed upon between the OPC and the retailers' representatives, i.e. the installation of optical scanners, were released from the obligation of pricing all their items, thereby considerably reducing their costs.

Lastly, the Canadian Chemical Producers' Association (CCPA) established the Responsible Care initiative, which is designed to reduce hazardous waste by targeting the safe and environmentally sound management of chemicals throughout their life cycle. This program is entirely industry-funded. To become a member of the CCPA, businesses must commit to the principles of Responsible Care and to the six codes of practice.[34] Although membership is voluntary, the pressure exerted by clients and peers generally constitutes sufficient encouragement.

The European Union promotes an approach based on voluntary agreements between industry and member States in order to implement EU-wide guidelines in the area of environmental protection. "[These agreements can] be a means of implementing – in a cost-effective manner – regulatory objectives established by Community Directives.

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31. OECD meeting to discuss the social ethics of business as a marketing tool and to explore means of exploiting this potential using instruments of action other than traditional regulation, May 5 and 6, 1997, OECD headquarters, Château de Muette, Paris.

32. Canadian Motor Vehicle Arbitration Plan (CAMVAP), http://camvap.ca.

33. Advertising Standards Canada, http://www.adstandards.com.

34. OECD, L'éthique sociale..., op. cit., Note 30.

Agreements can also contribute to limit the level of detail of legislation."[35]

Certain businesses that are active on the international scene comply with these codes of practices voluntarily, in order to preserve their brand image and be perceived as responsible citizens. Their adherence to such codes is indicated, for example, by displaying the Forest Stewardship Council (FSC) logo, which promotes sustainable forest management, and the Max Havelaar label, which defends fair, direct trade with small-scale producers in developing countries.[36]

MARKET-TYPE INTERVENTIONS

To encourage businesses to pursue their objectives, governments often use market-type mechanisms. These can be divided into two categories: financial incentives (assistance, taxes, etc.), and marketable permits and obligations.

Financial incentives

Financial incentives comprise tax instruments, subsidies, rate setting and fees. The idea is essentially to urge businesses, through financial incentives, to adopt socially responsible behaviour.

For example, additional taxes can be imposed on products or production processes that are harmful to the environment. Permits can be sold and fees charged for the use of resources depending on their capacity for renewal or their scarcity. Businesses that use products or production processes to work toward a particular objective can be compensated with tax benefits (tax credits, accelerated depreciation)[37] or subsidies.

In order to ensure that residents of remote regions have access to air transportation, Norway auctions off its subsidized air travel services (i.e. low-density routes) every three years to the company willing to operate the routes with the lowest subsidy.[38] It would appear that service costs have diminished considerably as a result.

In Québec, the tax on tetrachloroethylene (TCE) used in dry-cleaning operations is a good example of this approach. The aim of this tax was to lower consumption of TCE, the emissions of which are toxic. The tax was used to finance a tax credit for companies that agreed to make the transition to new-generation equipment, or other installations using a new water-based technology, with a view to curbing their toxic emissions. The tax cost the industry nothing, since it was returned in the form of a tax credit. Québec was one of the few jurisdictions in North America, and the only one in Canada, to adopt this approach.

Approaches using financial incentives are common the world over: charges are levied for water pollution in France and Germany, for air pollution in Sweden and Norway (fees for nitrogen oxide emissions (NOx) and a tax on SO2 respectively), for waste production, and so on.

The Advisory Panel has learned that the Québec government has been considering the use of such economic tools. While it advocates such approaches in principle, the Advisory Panel suggests that they be discussed with the business community before being adopted.

Marketable permits and obligations

These are government-issued permits granting the right to use a resource or carry out certain activities. They are distributed in limited quantities to ensure that certain societal objectives, such as control of the total volume of polluting activities, are achieved. However, a permit may be sold to a third party, which introduces a certain degree of market flexibility, since businesses that are prepared to pay the price can produce more than would have been possible with only one permit. A similar mechanism can be applied to obligations that must be discharged by a business, such as the recycling of a certain volume of waste: it can pay another company to carry out this activity in its stead.

There are few examples of this type of approach, and they are concentrated in a small number of sectors, especially the environment and airports. The U.S. has a national SO_2 emissions trading program, major U.S. airlines trade landing slots at certain airports, fishing rights are traded in Australia and Iceland, and water rights are swapped in the states of Colorado and California.[39] Ontario amended its law on the environment in 1998 to allow for the use of such permits, and Québec is apparently planning to do likewise.

This use of marketable permits and obligations was also a topic of discussion at the Hague Summit[40] on the control of greenhouse gas emissions.

DELEGATION OF POWERS (SELF-REGULATION)

The delegation of powers constitutes a form of regulation often used by governments, especially in the various professions (law, engineering, medicine, and so forth). In these cases, the government delegates its regulatory powers to an agency that represents its members. The agency's regulations have the same force and authority as they would have if applied by the government itself.

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35. Communication from the EU Commission to the Council and the European Parliament on Environmental Agreements, COM (96) 561 final, Brussels, 27.11.1996.

36. OECD, L'éthique sociale..., op. cit., Note 30.

37. For example, to encourage businesses to use new information technology, Revenu Québec allows a depreciation rate of 125% on equipment purchased in a given year.

38. OECD, Regulatory Reform, Paris, 1997.

39. OECD, PUMA, Putting Markets to Work: The Design and Use of Marketable Permits and Obligations, Occasional Paper No. 19, Paris, 1997.

40. Summit organized by the UN in November 2000 for the ratification of the 1997 Kyoto Protocol. This event brought together some 5 000 scientists, civil servants, business people and journalists.

In Québec, this approach is used mainly in the professional sector and for financial institutions (brokers, etc.).

OBJECTIVE-BASED REGULATION

When the above-mentioned methods prove inefficient and the government wishes to fall back on traditional regulatory measures, it should be kept in mind that quality regulation is focused first and foremost on the objectives to be achieved.

This approach consists in implementing regulations that specify the result to be attained, while allowing the regulating body to choose how it will go about doing so. Creativity and technical expertise can thus be drawn upon to come up with the most efficient ways of fulfilling the objectives set, which means that indirectly, this approach can spur technical innovation among businesses.[41] Furthermore, it becomes easier for a given business to comply with regulations once the costs and problems arising from requirements that are poorly thought-out or inadequately adapted to its particular operating conditions are minimized.

This approach can take many forms, ranging from simple regulation based on specific objectives (quantified or not) to regulation involving a combination of specific objectives with means or measures of substitution that enable these goals to be attained.

MENV has proposed a number of draft regulations based on such approaches. For example, the regulation respecting the recovery and reclamation of discarded paint establishes precise objectives and deadlines, but leaves businesses a great deal of leeway in choosing how they will meet them. Similar draft regulations are being envisaged for used oils and batteries.

Even with this type of flexible regulation, harmonization with neighbouring legislative frameworks remains important. Indeed, the application of such regulatory measures can also involve hidden costs for businesses that are difficult to identify up front, making prior consultation with the latter essential.

CONCLUSION

It is obvious from the above that no one method can constitute a universal solution to all problems. It is also clear that traditional regulation is one of many solutions and that, although sometimes the only one possible, it has a number of disadvantages. There are numerous intermediate solutions between simple information and traditional regulation, and it is difficult to give preference to one over another, since every situation calls for a different approach. The main idea is to simplify things as much as possible for business firms while seeking to maximize the advantages for society.

In order to make the best possible decisions, several countries perform impact studies of the various solutions envisaged. In general, the cost-benefit analysis approach is used to compare the various options, so as to maximize the net benefits for society while taking into account the global costs and benefits of each solution as compared to the current situation or a set of hypothetical circumstances.

The method, or combination of methods, selected, should normally indicate the approach that is most suited to achieving the objectives set, while allowing businesses enough leeway to remain competitive.

In accordance with its current mandate respecting administrative procedures, the Advisory Panel suggests that the government urge its departments and agencies to examine solutions other than traditional regulation for the supervision of businesses.

In this context, it recommends:

> **That the government compile, for use by its departments and agencies, a guide that contains a number of alternate solutions to traditional regulation, and that incites them to consider these diverse alternatives and perform a cost-benefit analysis of each one, in order to select the method that is most advantageous both for business firms and for society as a whole.**

MUNICIPAL BY-LAWS

Several representatives of business associations voiced the opinion to the Advisory Panel that the requirements imposed on businesses by municipal by-laws, especially during start-up and expansion phases, should be addressed. These requirements result in delays and costs that both business firms and individuals would like to see reduced to a level that is strictly necessary for the sound management of municipal services.

Given that municipalities exercise powers delegated to them by the statutes of the National Assembly, it appears fitting that the Advisory Panel study this question and submit the results of its deliberations to the Québec government.

MUNICIPAL BY-LAWS AND BUSINESSES

For entrepreneurs who wish to start up or operate a business, there is no getting around the abundance and complexity of the legislation concerning municipalities. There are over 60 laws that impose obligations on municipalities or empower them to take action. Among the most important of these statutes for Québec's approximately 1 350 municipalities are those that establish

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41. M. Porter and C. Van Der Linde, *Green and Competitive: Ending the Stalemate*, Harvard Business Review, Sept.-Oct. 1995, reported in OECD, PUMA, *Draft Report: Innovative Approaches to Improve Regulatory Compliance in the Field of Environmental Protection: Non-European Initiatives*, par. 60.

them, i.e. the charters specific to the cities of Québec and Montréal, the *Cities and Towns Act* and the *Municipal Code*. These pieces of legislation enforce the municipalities' legal existence, but also entrust them with many of their powers. Municipal powers also stem from other acts and regulations enacted by the Québec government in a variety of areas: for example, municipal organization, municipal democracy, municipal taxation and finances, land use planning and development, environmental protection, municipal services, municipal works and municipal liability.

Most of these statutes and regulations grant discretionary regulatory powers to the municipalities, so the fact that by-laws vary so much from one municipality to the next should come as no surprise. This means, for developers wishing to launch new commercial or industrial projects, that scrupulous verification of the by-laws in force in the municipality in question is in order. More concretely, businesses in the start-up, expansion or operating phases most not only ensure that they possess all the permits, certificates and authorizations required by municipal by-laws, but also that their activities and holdings comply therewith.

THE MAIN PERMITS REQUIRED

A study[42] conducted in 1999 for the MIC showed that the permits issued by municipalities can be divided into seven categories.

Subdivision permits

The vast majority of municipalities deliver subdivision permits. To provide an idea of the complexity of these permits, it may be useful to explain that they are issued to ensure conformity with several pieces of legislation, including the *Land Use Planning and Development Act* (the development plan for the regional county municipalities [RCMs]), municipal by-laws respecting land use planning and development, subdivision and zoning, municipal by-laws respecting new constructions, the *Act respecting the preservation of agricultural land and agricultural activities and the Environment Quality Act*.

Obtaining these permits is not always easy because it requires, on the part of the municipality, not only the intervention of the urban planning authority, but also that of the land registry and the finance, engineering, inspection and permit departments. Some 40% of subdivision permits are issued to businesses, and 60% to individuals.

Building permits

Almost all municipalities issue this type of permit. The control they allow municipalities to exercise ensures the quality of the construction activities on their territory, zoning conformity, and an up-to-date assessment roll.

In most municipalities, the urban planning and inspection authorities are responsible for issuing these permits. Just over one third of them are delivered to business firms.

Certificates of authorization

This category comprises authorizations pertaining to the installation of commercial signs, the operation of a business, excavation/clearing/filling work, tree felling, change in usage, occasional activities (e.g. garage sales), and travelling salespersons. Just over one quarter of these certificates are issued to businesses.

Licences and certificates of occupation

These licences and certificates are issued by certain municipalities pursuant to their by-laws governing activities or events such as the opening of new business concerns, occupation of a new building, street usage, zoning conformity, and heavy-duty or large-size transport. Some 70% of these instruments are delivered to business firms or self-employed workers.

Business permits and licences

These permits are issued by some municipalities in accordance with their by-laws. They govern activities such as travelling sales, the soliciting of trade, and the operation of a business or bed-and-breakfast. Over 80% of these business permits or licences go to business firms which, in 60% of all cases, are starting up.

Certificates of conformity with municipal by-laws and other attestations

Municipalities are often required to deliver certificates of non-violation or conformity with their by-laws. These certificates govern activities or concerns such as day-care centres, industrial operations, licensed beverage establishments, farm operations, riverbank stabilization and herbicide spreading and quarry and sandpit operations.

In many cases, these certificates are required by various government authorities. In over 80% of all cases, they are delivered to or for business firms.

Other permits and certificates

This category includes some 20 types of permits delivered under various provisions of the *Cities and Towns Act*, such as:

- permits for operating a public dance-hall;
- permits for operating a public beach or swimming pool;
- permits for the establishment of a public market;
- permits for the sale of meats, vegetables and other provisions;
- permits for auction sales;
- permits to operate bowling alleys and electronic games arcades;
- various other permits.

42. Québec Affaires Inc., preliminary study (municipal component) conducted for the ministère de l'Industrie et du Commerce as part of the business start-up kit, December 1999.

These permits vary considerably from municipality to municipality, and are largely intended for businesses.

A FEW OBSERVATIONS

We have thus seen here that different types of permits and authorizations can be required of businesses under municipal by-laws. More than 50% of all permits issued by municipalities go to business firms.

The procedures and conditions for obtaining permits vary greatly from one municipality to the next, depending on the type of permit. For example, a real estate developer may have to undergo months of negotiations, make time-consuming zoning changes and produce detailed development plans in order to obtain a subdivision permit. On the other hand, a subdivision permit that complies with existing by-laws and does not affect the infrastructures already on site can be obtained in a matter of minutes.

The implementation of certain projects can require several municipal permits or authorizations. The construction of a potato-chip factory, for example, can call for a subdivision permit, a building permit, a licence of occupation, a business permit and a certificate of conformity with municipal by-laws (required by MENV). In addition, the layout plans, certificates of location and building plans and specifications must be submitted to the municipal authorities.

Many of these municipal permits must be paid for, generally to cover the cost of administering them. For example, in the city of Québec, a building permit costs $3.50 for every $1 000 the building project is worth, and applicants must pay a minimum of $35 per permit. This means that obtaining a building permit for a million-dollar project costs $3 500.

A recent study[43] showed that the cost of obtaining the municipal authorizations necessary to open a restaurant, where $200 000 worth of renovations must be done on the building, is $2 035 in Montréal and $898 in Québec City. These procedures represent 40% of the total cost of the authorizations required for restaurateurs in Montréal, and 23% for their Québec City counterparts.

TRANSFERRING REGULATORY POWERS FROM THE GOVERNMENT TO THE MUNICIPALITIES

Some see the decentralization of the government's regulatory powers to the municipalities as a promising approach to regulatory and administrative streamlining. Since they are closer to the general public and usually less bureaucratized than higher levels of government, municipalities are frequently considered the ideal successors to government agencies in terms of devising and applying certain regulatory procedures.

It should be noted that there are few significant examples of the government transferring its regulatory powers to the municipalities. In some cases, such as the regulation of certain construction activities, the government has withdrawn completely, giving free rein to the municipalities, which have refused to step in. In other cases, government agencies are trying to reach agreements with the municipalities on the transfer of certain regulatory responsibilities. A case in point is the RBQ, which is working to transfer responsibility for some building inspection activities to the municipal level. However, the municipalities have refused, claiming that these government proposals are aimed only at offloading costs.

In some instances, the government has yielded regulatory responsibilities to the municipalities, while imposing application standards and restrictions that do not exist in municipal legislation. The transfer of standards for the preservation of agricultural land is an eloquent example of this. Following discussions lasting several years, the government decided that the RCMs and municipalities should abide by its own standards and methods when regulating and controlling the use of agricultural land. The result, in concrete terms, is a system of measuring distances between buildings intended for agricultural use that is much more complex than the zoning system used at the municipal level, with its definition of authorized uses.

Municipal representatives frequently observe that the regulatory powers delegated to the municipalities are too often accompanied by excessively restrictive standards and methods of application. For example, the regulatory powers in the area of fire prevention, as provided for in the *Cities and Towns Act*, are subject to a set of prescriptions which preclude the application of regulatory measures that are more streamlined and better adapted to the particular needs of each municipality.

CONFLICTS BETWEEN GOVERNMENT AND MUNICIPAL REGULATIONS

Contradictions and even outright conflicts between government and municipal regulations, especially in the commercial or residential building sector, are not rare. The Advisory Panel was informed of a case involving the developer of a bed-and-breakfast who was required, by the RBQ, to build a safety staircase in compliance with its regulations. However, this staircase could not be built because the side yards provided for in the municipal by-laws were insufficient. This matter was settled, a few thousand dollars later, thanks to recourse to the by-law concerning minor exemptions and the good will of

43. CEFRIO, De meilleurs services aux entreprises grâce aux nouvelles technologies, September 2000, pages 75 and 76.

the neighbours. Such a case shows that local and government regulations can cause costly and unpleasant problems for both businesses and citizens.

RECOMMENDATIONS OF THE ADVISORY PANEL

Given the sizeable impact municipal by-laws can have on the execution of economic projects and, more specifically, on businesses, the Advisory Panel recommends:

- **That the ministère des Affaires municipales et de la Métropole (MAMM) be invited to undertake, with municipal unions, discussions aimed at streamlining municipal by-laws governing businesses, especially small firms, to ensure that such regulations do not subject them to any superfluous restrictions. The municipalities are also urged to consult the business sector in this regard;**
- **That the MAMM encourage municipalities to better harmonize their regulatory framework with that of the Québec government and other municipalities;**
- **That the MAMM make municipalities aware of the usefulness of conducting appropriate impact studies before subjecting businesses to new regulatory measures;**
- **That, as part of the reform of municipal law undertaken in the past few years, the MAMM ensure that the approach used to delegate regulatory powers be focused on defining the objectives to be achieved rather than on setting out the means of achieving them.**

Over the past two years, the Québec government has initiated sweeping municipal reforms with a view to amalgamating several municipalities. This reform was enshrined with the adoption, in December 2000, of Bill 170, entitled the *Act to reform the municipal territorial organization of the metropolitan regions of Montréal, Québec and the Outaouais*. This piece of legislation should be a driving force in streamlining service delivery to the general public, fostering economic, cultural and social development and promoting fairer cost-sharing. It also provides for the creation of boroughs, whose role will be to trigger a certain decentralization of powers and service delivery, and ensure that the specific needs and expectations of their residents are met. This municipal reform should lead to the harmonization of by-laws, and their attendant administrative requirements, in Québec's major urban centres, thus making life easier for businesses.

THE NEED TO PURSUE REGULATORY REFORM

Even though the Québec government has made a considerable effort for almost five years now to better control its regulatory process and cut down on the administrative procedures imposed on businesses, it still has a great deal of work to do if it is to reduce the regulatory and administrative burden to a level that will stimulate economic development and employment. Regulatory reform efforts must therefore be pursued and even intensified. To that end, initiatives have to be based not only on firm political will, but also on policies and mechanisms that are likely to gradually make proponents of the current bureaucratic and regulatory culture more sensitive to economic realities, particularly those of small businesses. Such initiatives must also take into account the societal choices and objectives contemplated by the laws adopted by the National Assembly and their enabling regulations.

The Advisory Panel would first like to briefly take stock of the progress of regulatory and administrative streamlining work within the Québec government. It will then evaluate the application of the regulatory reform policy and the efficiency of the structures responsible for applying it. Lastly, it will propose measures to ensure that these mechanisms produce the desired results.

GOVERNMENT INITIATIVES IN THE REALM OF REGULATORY REFORM

The Québec government has implemented a number of important measures to reduce the administrative and regulatory burden on businesses. For example, it has adopted a regulatory reform policy, set up the Advisory Panel on Regulatory Reform and the Secrétariat à l'allégement réglementaire (SAREG), and conducted a number of impact studies. In general, these measures have been quite effective. The government now seems to control its regulatory process much better than before, considering the reduction in the number of regulations adopted,[44] and it has launched, through multiyear regulatory review plans and the work of the Advisory Panel, a review of existing statutes and regulations, mainly for the purpose of reducing the number of administrative constraints they impose.

The results of this regulatory review process are quite impressive as well. Since 1996, the government has adopted dozens of regulatory reform measures that seem to be leading in the right direction. At the administrative level, it has harmonized the GST and the QST, reduced certain delays in the authorization process and eliminated over 700 000 permits and authorizations along with the administrative procedures they entailed.

It should also be noted that the government announced new administrative streamlining measures in its last Budget Speech (2001-2002), particularly with regard to some of the issues raised by the Advisory Panel in its previous reports. For example, it stipulated that 24 000 legal persons and groups would no longer have to file an annual declaration with the IGIF in the year of their registration and that the fee charged for a business's first annual declaration would be eliminated. Nearly 80 000 businesses will be affected by the elimination of this fee and will thus save $4.1 million as a whole. The government also announced in the Budget that it plans to accelerate the use of the Québec enterprise number (NEQ) so that most departments and agencies will use it by 2002 and thereby dispense businesses from having to repeatedly provide the information entered in the IGIF register. In addition, the government provided for easements respecting licences issued to building contractors by the Régie du bâtiment du Québec (RBQ).

Despite the considerable efforts made by the government, over 17 million administrative procedures still exist and many of them impose unnecessary constraints on businesses, create duplication or cause delays that sometimes prevent the implementation of projects likely to foster economic activity and employment.

Owing to the presence of these still-too-numerous and unduly restrictive administrative formalities, steps must be taken to enhance the effectiveness of current regulatory reform mechanisms, namely, the regulatory reform policy and the coordination structures entrusted with applying it. Such efforts would be especially pertinent given that most of the countries, U.S. states and Canadian provinces with which Québec competes economically have adopted policies and mechanisms that require their governments to take a rigorous approach to the regulation process.

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44. According to ministère de la Justice data, the Québec government adopted a total of 651 regulations, including 237 new ones, in 1993. Since then, the number of regulations adopted has gradually declined, amounting to 361 in 1999, of which 76 were new.

ENHANCING THE EFFECTIVENESS OF THE REGULATORY REFORM POLICY

The Advisory Panel feels that it is important to assess the application of the government's regulatory reform policy, which was established by Order in Council 1151-96 of September 11, 1996, Order in Council 1362-96 of November 6, 1996 and Order in Council 391-99 of April 28, 1999, which stems from a recommendation made by the Advisory Panel in its report of May 1998. To make such an assessment, the Panel has considered not only the various measures implemented by the government but also discussions it has had with SAREG, reports it received from business associations, and observations it made in doing an in-depth study of regulatory reform initiatives in other jurisdictions, located primarily in North America.

MAIN FEATURES OF THE PRESENT POLICY

Basically, the present regulatory reform policy comprises two components, the first of which is concerned with new regulatory measures, that is, bills and draft regulations, and the second with the review of existing measures, namely, statutes and regulations already in force.

The first component stipulates that if a bill or draft regulation is expected to occasion costs of over $10 million for businesses, it must be backed up by a duly executed impact study. The component also indicates what information is to be included in the study. In particular, it must contain a description of the problem to be resolved as well as an evaluation of the costs and benefits associated with the various options envisaged, starting with the solution selected. It must also specify, in regard to this solution, whether an attempt has been made to propose rules that prescribe objectives rather than means and whether the proposed requirements make allowance for the size of firms. Lastly, it must supplement, under the appropriate headings, the information provided in the brief that has to accompany, for decision-making purposes, any legislative or regulatory proposal submitted to the government. Pursuant to Order in Council 1362-96, impact studies must, as a rule, be made public when draft regulations are pre-published; if they concern draft legislation, they are usually submitted when bills are tabled in the National Assembly.

If, however, a bill or draft regulation is expected to generate costs of less than $10 million for business firms, the policy stipulates that the method used to prepare the brief that has to accompany the proposal should be based on the one used to prepare impact studies.

The regulatory reform policy also requires that proponents of bills or draft regulations prepare a "comparative analysis" indicating what solutions have been applied by neighbouring jurisdictions to deal with problems similar to the one under consideration.

Lastly, if a proposed statute or regulation is expected to have an impact on business firms, the policy provides that the department or agency concerned must request an administrative opinion from SAREG before the proposal is submitted to departmental authorities or sent to the General Secretariat of the Conseil exécutif.

The second component of the policy is aimed at reviewing existing statutes and regulations and at proposing, as part of multiyear regulatory review plans, concrete measures for streamlining regulatory controls and administrative procedures. Since April 28, 1999, it has included a provision echoing some of the Advisory Panel's previous recommendations, which stipulates that all legal regimes in force as of that date must be reviewed before April 28, 2006 for the purpose of proposing streamlining measures, and that all new regimes must be reviewed no later than seven years after being adopted.

APPLICATION OF THE REGULATORY REFORM POLICY

In the Advisory Panel's opinion, a number of comments and observations should be made regarding the two components of this policy.

COMPONENT RESPECTING BILLS AND DRAFT REGULATIONS

First of all, the Advisory Panel feels, merely on the basis of data on changes in the number of regulations adopted, that the policy has prevented certain statutory and regulatory proposals that were in the process of being drafted from reaching completion and that, in general, it still prevents new proposals from being put forward.

According to figures obtained from SAREG, approximately 20 impact studies designed to meet the policy's requirements have been prepared over the past four years, mainly in government departments and agencies, for bills or draft regulations respecting labour, the environment, various occupational sectors, health, transportation, natural resources, buildings and retirement plans. The Advisory Panel has learned that five impact studies were conducted in the environment sector and one in the labour sector in the year 2000. Although these initiatives are not very well known among the general public, they seem to have allowed the departments and agencies concerned and the government as a whole to more accurately assess the impact of the statutes or regulations being proposed and to amend them, when necessary, in order to improve them.

However, a number of parties from the private sector who read some of these studies said that they were of uneven quality, often applied different approaches, and sometimes provided only partial

answers to the questions raised by the proposals under consideration. In a later part of this report, the Advisory Panel will suggest measures to correct this situation, based on experiences studied in other jurisdictions.

Apparently, the provisions of Order in Council 1362-96 respecting the publication of impact studies, which could foster the dissemination of more information to the general public and improve the quality of the regulatory framework, have not yet had their full anticipated effect. In the Advisory Panel's opinion, releasing an impact study when a draft regulation is published, might allow the department or agency that initiated the proposal to compare its perception of the magnitude of the problem to be resolved and the benefits and costs associated with the measures envisaged with the perception of its clientele, and to adjust these measures if necessary. The Panel also thinks that the prospect of having to publish and disseminate an impact study would encourage those who have to prepare it to pay more attention to the quality of its content and, therefore, of the measures it entails.

Occasionally, departments or agencies that have prepared impact studies refer people asking to consult these documents to the responsible person designated under the *Act respecting Access to documents held by public bodies and the Protection of personal information*. This type of response is likely to discourage interested parties from taking the matter any further, as are other possible deterrents such as the time it takes applicants to gain access to these studies and the fees they have to pay per page. This situation stems, apparently, from an overly strict interpretation of the stipulation in the government policy that impact studies must be made available to the general public subject to the applicable provisions of the above-mentioned Act. The original objective of improving the quality of regulatory measures is thus not being achieved. Furthermore, by allowing impact studies to be sent to interested parties in their entirety, without a summary, the current policy has created another irritant that is likely to put readers off. These situations must be remedied.

It is important to note, however, that the vast majority of bills and draft regulations that affect businesses give rise to costs of less than $10 million, and often much less. In such cases, government policy requires that the brief accompanying a proposed statute or regulation contain a section on "regulatory activities", which has to provide all the necessary information on the proposal's impact on business firms. Over the past four years, several hundred proposals have been adopted[45] without an exhaustive formal impact study being conducted. The Advisory Panel has not been able to determine whether the departments and agencies concerned have provided, in the "regulatory activities" section of their briefs, all the information needed by the government to make a decision. It believes, however, in view of the stakes involved, that policy-makers must have access to all pertinent information.

The Advisory Panel also believes that some of the policy's principles are making inroads. For example, the idea of adjusting regulatory requirements according to the size of firms seems to be accepted more readily now than it was previously. On the other hand, steps must still be taken to apply the principle of objective-based regulation, while at the same time allowing businesses some leeway with regard to the means they apply for attaining the goals set.

In a later section of this report, the Advisory Panel will propose solutions for improving certain aspects of the regulatory reform policy so that it produces the effect it is supposed to have on the introduction of new statutes and regulations.

COMPONENT RESPECTING EXISTING STATUTES AND REGULATIONS

The Advisory Panel has been informed that some 30 departments and agencies submit "multiyear regulatory reform plans" to the ministère du Conseil exécutif every year, along with their strategic plans.

They usually submit these plans after receiving a formal request from the General Secretariat of the Conseil exécutif, accompanied by detailed instructions and an explanatory guide prepared by SAREG focusing on ways to reduce the administrative burden arising from the regulatory framework.

For 1999, each department and agency was asked to prepare and provide specific information, including:

- a list of the statutes and regulations under its responsibility;
- an assessment of the extent to which previous regulatory and administrative streamlining commitments had been met and a progress report on the application of new streamlining measures;
- a seven-year regulatory review timetable;
- concrete streamlining measures under consideration for the next three years.

Although the Advisory Panel has not studied the multiyear plans submitted, it believes that this type of plan can be extremely useful to government departments and agencies for planning regulatory review activities and determining what regulatory reform and administrative streamlining measures might be taken to address concerns expressed by

45. The total number of draft regulations adopted or bills tabled in the National Assembly by the government over the past four years amounts to roughly 1 950, i.e. 1 600 draft regulations and 350 bills. For the purposes of Order in Council 1362-96, the many proposals that do not generate costs for businesses, such as those pertaining to the government's internal organization, must be subtracted from this total.

the business community and, where applicable, citizens' groups.

However, their usefulness is contingent on several factors: they must be prepared under the supervision of the highest authorities of the departments and agencies concerned, elicit specific commitments that bind these bodies, and provide solutions to major problems that are likely to impede economic activity. Otherwise, they might be considered a mere administrative formality by the various departments and agencies and have only a negligible impact.

In a later section of this report, the Advisory Panel will suggest ways of ensuring that the important tool constituted by multiyear regulatory review plans produces the desired results. However, it will first propose means of improving the effectiveness of certain aspects of the regulatory reform policy relating to the introduction of new statutes and regulations.

PROPOSALS FOR ENHANCING THE EFFECTIVENESS OF THE REGULATORY REFORM POLICY

In the Advisory Panel's opinion, the provisions of Order in Council 1362-96 respecting impact studies and, more generally, the evaluation of costs and benefits associated with statutory and regulatory proposals applicable to the private sector must be applied more rigorously if the quality of Québec's regulatory framework is to be improved. Inspiration could be drawn for this purpose from approaches adopted in certain jurisdictions with which Québec competes.

REGULATORY REFORM POLICIES IN OTHER JURISDICTIONS

In recent months, the Advisory Panel has carefully studied a number of regulatory reform experiences in other jurisdictions, mainly to learn more about the regulatory reform policies in effect in areas with which Québec competes economically. The Panel paid special attention to the policies of the U.S. federal government and the states of California, Michigan and New York, as well as to the policies of the Canadian government, the provinces of Ontario and British Columbia, and the United Kingdom.

The Advisory Panel has drawn a number of conclusions based on what it observed in these jurisdictions, which may be summarized as follows:

- the vast majority of the governments concerned systematically require that studies be carried out to assess the impact of proposed regulatory measures on businesses and the general public;
- many of these jurisdictions have adopted specific guidelines to ensure that such studies are conducted properly and thus provide the information needed by policy-makers;
- the studies in question must often be approved by central government authorities before the publication of regulatory proposals is authorized;
- precise rules also stipulate how these studies or summaries of them should be made public and, most of the time, these rules are published on the Internet and thus readily accessible;
- lastly, contrary to what is observed in Québec, the regulatory reform policies of the jurisdictions concerned are often established through legislation, with the result that government bodies are rigorously supervised.

PROPOSED CHANGES TO THE REGULATORY REFORM POLICY

These observations on initiatives conducted in other jurisdictions, coupled with those made earlier on the application of Québec's regulatory reform policy, have led the Advisory Panel to formulate proposals for bolstering certain provisions of the policy.

Issuing guidelines for preparing impact studies

To begin with, the Advisory Panel feels that the repercussions of regulatory proposals with a significant impact on businesses, that is, proposals expected to occasion costs of $10 million or more, must be more clearly defined. To that end, it has looked at what jurisdictions similar to Québec do in this regard. It has noted, for example, that several of them have adopted guidelines for preparing impact studies and providing answers to questions that proposals raise. Some jurisdictions also require that studies of this type be submitted to central government authorities for approval before they and the regulatory proposals to which they pertain are published. OECD studies indicate that most industrialized countries have a regulatory reform policy in which the analysis of regulations (cost-benefit analyses, cost-effectiveness analyses, etc.) plays an absolutely central role.

Impact studies usually make it possible to improve proposed regulatory measures, that is, to achieve desired results more efficiently while realizing considerable savings. In 1987, the U.S. Environmental Protection Agency (EPA) concluded, after evaluating 15 impact studies, that, although they had cost a total of $10 million, these studies had made it possible, through the amendments they initiated in the regulatory proposals concerned, to save about $10 billion – a cost-benefit ratio of roughly 1:1 000.[46]

Without going as far as to suggest that impact studies be submitted to central authorities for approval, the Advisory Panel recommends:

That, in order to improve the quality of impact studies, the Québec government adopt

46. Brett Snyder, *EPA'S Use of Benefit-Cost Analysis*: 1981-1986, EPA-230-05-87-028, U.S. E.P.A., Washington, D.C., 1987.

guidelines specifying the methodology to be used and the information to be provided in studies of this type prepared by government departments and agencies wishing to propose bills or draft regulations with a major impact on businesses.

Facilitating access to impact studies on important statutory or regulatory proposals

The Advisory Panel also believes that the main interested parties and the general public must have access to studies that assess the impact of bills or draft regulations. Groups should be able to consult these studies easily and in a timely manner without having to perform the complicated procedures required under the Act respecting Access to documents held by public bodies and the Protection of personal information.

To encourage rather than discourage potential readers, the Advisory Panel feels that it would be much better if the findings of impact studies were communicated in summary form. It should be noted that many governments around the world, especially in North America, oblige public bodies (departments, etc.), often on the basis of legislative provisions, to publish impact studies or, at least, to make a summary of them public at a very early stage in the process leading up to the adoption of proposed regulatory measures. However, the impact studies themselves have to remain accessible in their entirety to those who wish to consult them.

For example, the states of New York and California release impact studies as soon as a regulatory proposal is pre-published, while the U.S. federal government publishes both preliminary and final versions of such assessments in the *Federal Register*. The state of Michigan, for its part, also makes impact studies public when proposals are pre-published, by putting them on the Internet – an approach that can be both practical and inexpensive.

Consequently, the Advisory Panel recommends:

That the government modify its regulatory reform policy to ensure that interested parties have ready access to impact studies on important bills and draft regulations and are not obliged to have recourse to the *Act respecting Access to documents held by public bodies and the Protection of personal information*.

The Advisory Panel also recommends:

That departments or agencies that wish to have a bill or draft regulation requiring an impact study adopted be obliged to publish a summary of the study on their Web site or elsewhere:

- **when the draft regulation is pre-published; or**
- **when the bill is tabled in the National Assembly.**

The government could consider the possibility of publishing summaries of impact studies in the *Gazette officielle du Québec*. However, if this is too difficult, putting them on the Internet might be an interesting alternative.

Publishing a document explaining the impact of proposals with more limited repercussions

The Advisory Panel also feels that it is important to properly evaluate proposed statutes and regulations that have an impact of less than $10 million on businesses. As mentioned previously, the effects of proposals that fall into this category, when considered as a whole, are far from negligible for the private sector. Owing to the number of proposals adopted every year, they have a cumulative impact that can be quite substantial over the long term.

In the Advisory Panel's opinion, government departments and agencies should be required, at a very early stage in the proposal process, to publish a short document describing the main anticipated repercussions of a bill or draft regulation they plan to have adopted. The Panel has observed that several U.S. states make this type of document public regardless of the impact a proposal is expected to have (i.e. there is no minimum threshold).

Consequently, the Advisory Panel recommends:

That departments or agencies about to propose a bill or draft regulation that does not require an impact study within the meaning of Order in Council 1362-96 (i.e. proposals with an anticipated impact of less than $10 million) be required to describe its main repercussions in a short document published on their Web site:

- **when the draft regulation is pre-published; or**
- **when the bill is tabled in the National Assembly.**

Publishing a copy of the comparative analysis that must accompany proposals

In the Advisory Panel's opinion, a particularly interesting requirement of the regulatory reform policy involves the preparation of a "comparative analysis" in which the proponents of a statutory or regulatory proposal must indicate solutions adopted by other jurisdictions, especially neighbouring ones, to resolve a problem similar to that which prompted the proposal concerned.

The Panel is convinced, considering the stakes involved with regard to economic competitiveness, that such analyses should be conducted as carefully as possible and their findings included in the information made available during the consultation process to ensure this process is fully effective.

Consequently, the Advisory Panel recommends:

> **That departments or agencies seeking the adoption of a bill or draft regulation that has an impact on businesses, be it greater or less than $10 million, be required to publish, at the same time as they release a description of its repercussions, a comparative analysis (or a summary of it) of solutions adopted in the main neighbouring jurisdictions that face a similar problem in Canada or the United States.**

Adopting a standard "impact statement" form

To implement one of the recommendations it made in its June 2000 report, the Advisory Panel would like to propose a standard form that would constitute a sort of "impact statement" for statutory or regulatory proposals. Government departments and agencies would be required to fill out this form when they propose a bill or draft regulation with an impact of less than $10 million on the private sector. They would thus provide a minimum amount of information on the problem to be resolved by the proposal concerned, and reveal, for each of the solutions under consideration, the costs, benefits and so forth entailed for the private sector.

The proposed form or impact statement is shown in an appendix to this report. The information to be included on it follows the guidelines set in the government's regulatory reform policy.

It should be mentioned that, in the United States, statutes usually provide for statements of this type, containing specific headings under which the proponents of new regulatory measures have to furnish all the information needed to understand proposals and ensure that decisions are as enlightened as possible. In Michigan, for example, the *Administrative Procedure Act* provides for an impact statement with 25 different headings, while in the state of New York, a similar form is required under the *State Administrative Procedure Act*. In California, impact statements include some 40 different headings merely to take into account the many requirements of the *Administrative Procedure Act*.

The Advisory Panel recommends:

> **That the regulatory reform policy be modified to require departments and agencies to fill out an "impact statement" based on the one proposed in an appendix to this report for bills or draft regulations whose anticipated impact on businesses is estimated at less than $10 million.**

Given that this impact statement would make it possible to satisfy in a simple fashion the main information requirements under Order in Council 1362-96, it could be used by departments and agencies to comply with the requirement, proposed in a previous recommendation, that they publish a description of the main repercussions of a statutory or regulatory proposal along with a comparative analysis of solutions adopted in other jurisdictions to resolve the problem concerned.

Consequently, the Advisory Panel recommends:

> **That the regulatory reform policy be modified to require departments and agencies to fill out an impact statement in order to comply with the proposed requirement to publish a description of the main repercussions of a bill or draft regulation as well as a comparative analysis.**

Tabling omnibus bills on regulatory reform in the National Assembly

The Advisory Panel believes that the second component of the regulatory reform policy should be used to facilitate the review of existing statutes and regulations.

Drawing on experiences in neighbouring jurisdictions, the Panel would like to propose that an omnibus bill amending various legislative and regulatory provisions be prepared every year, in collaboration with government departments and agencies, approved by the government and submitted to the National Assembly.

A number of governments, such as that of Ontario, have successfully adopted this approach. It has the advantage of allowing regulatory and administrative streamlining measures to be adopted and implemented as soon as they are agreed upon, without it being necessary to wait for the laws concerned to be reviewed in their entirety. It also obliges departments and agencies to embark periodically on a reflection process, based on comments and suggestions from outside groups, which can lead to concrete solutions to administrative unwieldiness problems. Without omnibus bills, it can take months, if not years, to devise and implement appropriate remedies.

Consequently, the Advisory Panel recommends:

> **That the government adopt a mechanism enabling it to table, once a year if possible, an omnibus bill in the National Assembly dealing exclusively with concrete regulatory reform and administrative streamlining proposals put forward by departments and agencies.**

PURSUING THE WORK OF THE ADVISORY PANEL

The proposed modifications to the regulatory reform policy should allow the government to gradually improve the quality of its regulatory framework, that is, to reduce the latter's impact on businesses and the general public while at the same time ensuring that government objectives are achieved. However, these improvements to the policy, which concern primarily new statutes and regulations, should be supplemented by other mechanisms that target existing regulatory controls.

As seen earlier, much remains to be done to reduce the administrative burden on businesses to a level that will foster economic activity and maintain, if not enhance, the competitiveness of Québec's economy. Therefore, the Advisory Panel feels that a new body should be created at the end of its current mandate to advise the government on regulatory reform and administrative streamlining issues. This body would be responsible essentially for working with departments and agencies to devise concrete solutions that address the concerns of business people, while allowing the government to attain its objectives.

In this section, we will briefly discuss the reasons for setting up a new advisory panel, whose role would be adapted to the current context of economic globalization and to the recent evolution of the government's regulatory process.

WHY CREATE A NEW ADVISORY PANEL?

As mentioned above, vigorous measures will have to be introduced to bring the regulatory and administrative burden on businesses down to an acceptable level. Most industrialized countries are now engaged in a process of regulatory reform aimed at increasing the competitiveness of their economy and spurring investment and job creation. Just when these countries are stepping up their regulatory reform efforts, the Advisory Panel cannot advise the government to let down its guard and slacken its own efforts in this respect.

As indicated previously, the United States, the United Kingdom and certain Canadian provinces are very active in the area of regulatory reform. It should be noted, however, that this is also true of several other countries, including Ireland, the Netherlands Germany, Australia and New Zealand.

In its June 2000 report, the Advisory Panel recommended that steps be taken in the public sector to heighten awareness among employees who are still not sensitive enough to the realities of businesses, especially small ones, and thus cut down on administrative requirements that are not essential to good governance. Based on what has occurred over the past three years, there is reason to believe that a body like the Advisory Panel can accomplish a great deal in this regard, particularly if it works with government departments and agencies as the Panel has done in recent years. The current public sector reform aimed at modernizing the government lends itself well to this type of collaboration, where the exchange of ideas and opinions can benefit both departments and businesses.

As mentioned earlier, if multiyear regulatory reform plans are to produce the desired results, they must provide government departments and agencies with an opportunity to conduct an in-depth review of their procedures. They constitute an essential regulatory review tool that must be used to address priority issues raised by the business community and the Advisory Panel. In accordance with the mandate conferred upon it by the government in 1997 (Order in Council 1167-97), the Panel believes that the new body should be more actively involved in examining multiyear regulatory reform plans, evaluating the achievements and projects of departments and agencies in the realm of regulatory reform and administrative streamlining, and reporting on these issues to government authorities.

The Advisory Panel has noted that SAREG plays a central and fairly effective role in applying the regulatory reform policy and in launching and monitoring multiyear regulatory reform plans. However, it feels that the actions of the Secretariat with regard to these plans are insufficient because this body cannot reflect, on its own, all the viewpoints of the economic agents concerned or approach political authorities as easily as an advisory panel can for the purpose of suggesting streamlining solutions.

WHAT IS BEING DONE IN COMPETING JURISDICTIONS

As indicated above, most of the countries, U.S. states and Canadian provinces with which Québec competes economically have also recognized the need to alleviate the administrative burden on SMEs. They have therefore established mechanisms and especially agencies responsible for managing the adoption of new regulatory controls more effectively or for re-examining existing regulations with a view to easing current rules.

STRUCTURES TARGETING NEW REGULATIONS

Most of the jurisdictions mentioned earlier have set up coordinating structures, which they have mandated to apply their regulatory policies.

The U.S. federal government and most of the U.S. states studied are playing a leading role in this regard. The Office of Management and Budget (OMB), a body attached to the President's Office, and especially the Office of Information and Regulatory Affairs (OIRA) have far-reaching powers, ranging from conducting preliminary examinations of all regulatory proposals with significant repercussions before they are pre-published to validating the conclusions of impact studies submitted in support of such proposals. Where applicable, the OIRA can require that proposals be reviewed in whole or in part to determine whether they comply with the government's regulatory policy. To that end, this body has issued guidelines to ensure that proposed regulations are evaluated using the best possible technical practices, and it coordinates, on a yearly basis, the preparation and publication of a plan for high-impact regulatory proposals that the government wants to have adopted.

Most of the U.S. states studied have adopted mechanisms that are quite similar to one another. The Regulation Review Unit (RRU) and the Office of Administrative Law (OAL), of the state of California, are often held up as examples of bodies that exercise rigorous control over the adoption of proposed regulations. The Office of Regulatory Reform (ORR) in the state of Michigan and the Governor's Office of Regulatory Reform (GORR) in the state of New York play this type of role as well. Comparable structures also exist in several other jurisdictions, such as the United Kingdom, where the regulatory process is coordinated by the Regulatory Impact Unit (RIU), an agency under the authority of the Prime Minister.

Studies conducted by these countries and organizations like the OECD on the impact of regulation on economic activity and employment have led most jurisdictions to introduce policies and mechanisms that control their regulatory activities more effectively. The Bologna Charter on SME policies and regulation, adopted on June 15, 2000, should also prompt a number of the 50 countries that signed this agreement to bolster their current policies and mechanisms. The Bologna Conference, at which the charter was adopted, was organized by the OECD and Italy and brought together ministers responsible for SMEs and industry ministers from the countries that took part in this forum.

Québec has introduced very useful basic tools in the form of a regulatory reform policy and a body that oversees regulatory reform (SAREG). However, when these mechanisms are compared with those in place elsewhere, it becomes apparent that other tools must be adopted if Québec is to remain competitive.

STRUCTURES TARGETING EXISTING REGULATIONS

In addition to striving to reduce the number of new regulations adopted, most countries have adopted permanent or temporary structures to review existing regulations and eliminate or reduce the impact of certain administrative and regulatory requirements.

The U.S. federal government, which is particularly sensitive to the needs of small businesses, has entrusted certain responsibilities in the realm of regulatory review and administrative streamlining to the Office of Management and Budget (OMB), but more specifically to the Small Business Administration (SBA) and especially the Office of Advocacy. The latter organization is an administrative body mandated by law to present the viewpoints of small firms to federal agencies and Congress and ensure that regulatory and administrative provisions which place undue constraints on small firms are eliminated or amended. The Office of Advocacy, which is a permanent body, reports to the President and Congress.

Many structures of a less permanent nature and closer to Québec's Advisory Panel on Regulatory Reform have also been set up in certain countries, U.S. states and Canadian provinces. The United Kingdom, for example, has created the Better Regulation Task Force, which comprises 18 members, mainly from big business and SMEs, but also from citizens' and consumer groups, charities and labour unions. This task force, which has published over 15 briefs since 1997 and reports annually to the government, is responsible for advising the latter on means of improving the quality of regulatory measures and ensuring that they are necessary, clear, simple and fair. The ultimate goal is to minimize their impact on small enterprises and individuals.

The Government of British Columbia has established a similar structure, the Business Task Force on Regulatory Impact (BTF), which has 18 members, mostly from the same sectors as those mentioned in the case of the Better Regulation Task Force. In August 2000, the BTF tabled a report submitting a number of recommendations to the government for regulatory review purposes. Ontario, for its part, created the Red Tape Commission in 1995, which is made up exclusively of members of the provincial parliament and is responsible, in particular, for helping government departments to implement annual red tape reduction plans and for coordinating the drafting of at least one bill per year on the reduction of administrative procedures. Through this approach, the Ontario government has repealed 33 laws that were deemed out of date, eliminated over 1 300 enabling regulations, and adopted 12 omnibus bills aimed at cutting down on administrative formalities.

This brief overview of regulatory reform experiences in other jurisdictions does not provide an assessment of their true effectiveness, but it does testify to a definite desire on the part of the governments concerned to control their regulatory activities more effectively, mainly to stimulate investment and job creation. A number of important observations can be made on the basis of these initiatives:

- the structures and mechanisms established in just about every jurisdiction are under the responsibility of the highest political authorities (presidents, governors or prime ministers) and not sectoral ministers;
- the structures introduced, although temporary at first, are becoming more and more permanent, attesting to a growing realization in these jurisdictions that a great deal of work remains to be done in the realm of regulatory reform. For example, the Government of Ontario gave permanent status to the Red Tape Commission in May 2000, while the Government of British Columbia confirmed the role of the BTF through legislation passed in June 1999;

- none of the approaches implemented in these jurisdictions looks as though it could be transposed to Québec, mainly because they are designed to address situations that are somewhat different from those that prevail here. Nevertheless, Québec would benefit considerably from taking a closer look at the formula adopted in the United States, where considerable attention is paid to problems raised by SMEs, and regulations are constantly adjusted to ensure they take the reality of small enterprises into account. However, the Advisory Panel does not believe it is necessary, for the time being, to recommend that structures similar to those observed in that country be set up in Québec.

Nevertheless, the Advisory Panel recommends:

> **That a new advisory panel on regulatory reform be created as soon as possible to pursue the work begun by the present Advisory Panel and to continue advising the government on means of reforming existing regulations and streamlining administrative procedures that affect businesses, particularly small ones.**

In addition, drawing inspiration from foreign and Québec initiatives, the Advisory Panel recommends:

> **That the new advisory panel continue to report directly to the Premier of Québec, who is much better placed than sectoral ministers are to coordinate regulatory reform within the government as a whole and produce tangible results.**

The Advisory Panel would now like to re-examine the case of the Office of Advocacy mentioned briefly above and suggest that the Québec government carefully study this permanent structure, which testifies to the U.S. government's determination to create conditions favourable to small businesses. Although such firms make up the vast majority of firms businesses in Québec's economy, they often feel that government authorities do not represent or listen to them very well. A structure similar to the Office of Advocacy, adapted of course to Québec's institutional framework and with a mission that is compatible with those of existing departments or agencies (e.g. the MIC), could no doubt foster better interaction between the government and SMEs and help to develop an administrative culture that is conducive to entrepreneurship and thus job creation.

It should be noted that the Office of Advocacy enjoys special status. Its director, the Chief Council for Advocacy, is from the private sector and is appointed by the President of the United States with the approval of the Senate. Its staff, which comprises some 50 employees, is not subject to the rules governing public sector hiring practices. The reports it writes for Congress, the briefs it prepares on proposed statutes and regulations, and the publications it puts out (e.g. *State of Small Business: A Report of the President*) do not have to be approved by the Small Business Administration, to which this body belongs. The Office considers itself authorized to openly defend, if necessary, positions that are contrary to those espoused by the government.

If the Québec government agrees to bolster the regulatory reform policy monitored by SAREG and realign the mandate of the Advisory Panel with the recommendations made in this report, it would already meet to a large extent probably the needs that could be addressed by a body similar to the Office of Advocacy. Nevertheless, it would no doubt be very useful for the Québec government to take a closer look at the U.S. approach, bearing our institutional context in mind, if it wants to develop its policies for supporting small businesses and reforming the regulatory framework.

In addition, even though the Advisory Panel recommends that a new panel be set up, it would like to offer a few suggestions on the form and mandate of this new body in order to take into account the way in which Québec's regulatory reform context has evolved.

FORM AND MANDATE OF THE NEW ADVISORY PANEL

On the basis of the experience it has acquired over the past three years, the Advisory Panel wishes to make a few comments and recommendations concerning the mandate and make-up of the future advisory panel.

MAKE-UP OF THE NEW ADVISORY PANEL

Generally speaking, the Advisory Panel is of the opinion that its current make-up is good. Most of its members are business people, which seems logical given the nature of the Panel's mandate, while two of its members represent organized labour (CSN and FTQ). This bipartite formula not only reflects the consensus reached at the 1996 Summit on the Economy and Employment, but makes it possible to draw up proposals that strive to address the concerns of the business community, while respecting the views and legitimate rights of workers.

Approximately half of the business people on the Advisory Panel are from small firms, which is normal since the regulatory reform and administrative streamlining exercise is intended mainly to make life easier for SMEs.

It should be mentioned, however, that the Advisory Panel noted, in the course of its work, that a number of environmental groups and individuals concerned about environmental issues seemed worried about how its recommendations might affect environmental protection. The Panel feels that their concerns are unfounded given that its mandate

targets administrative formalities and not the very principles that underlie the regulations in force. Furthermore, it is not responsible for intervening with respect to new regulatory proposals likely to better protect the environment. Nevertheless, in view of the concerns expressed by the above-mentioned parties, the Advisory Panel suggests that the government consider the possibility of including a person from environmental circles on the future panel so that the concerns of environmentalists can be taken into account and they can judge the work done by this body first-hand.

Consequently, the Advisory Panel recommends:

> **That the next advisory panel on regulatory reform consist mainly of business people, largely from SMEs, and include two people from organized labour and one person from environmental circles.**

The Advisory Panel is also satisfied with its association with SAREG, which has provided it with a good understanding of how public sector structures operate and helped to forge useful collaborative ties between the Panel and the government. This association should be maintained when the future panel comes into operation.

PROPOSED MANDATE

Although the Advisory Panel believes that a new panel should be set up to advise the government on regulatory reform, it thinks that it would be useful to re-examine certain aspects of the Panel's mandate in the light of how the regulatory review process has evolved over a period of nearly four years.

In carrying out the mandates conferred upon it by the government, the Advisory Panel has had the opportunity to examine the main regulatory and administrative issues that concern business people and firms. For this purpose, it has held far-reaching consultations with the business community and met with representatives from this sector in order to gain a good grasp of the problems raised and determine whether they actually exist. It has also organized meetings with government departments and agencies to make sure that its recommendations are realistic, and can thus assert that the solutions presented in its reports are, to a large extent, deemed applicable by the government interlocutors concerned.

Now that the main problems are known and solutions have been identified, the Advisory Panel believes that the role of the next panel should be to work actively with departments and agencies in order to adopt and gradually implement these solutions. The future reports of the new panel should therefore focus less on describing problems and proposing solutions than on assessing and reporting on the progress of regulatory reform and administrative streamlining work in the various departments and agencies. They should also propose ways of assisting the latter in their efforts.

As mentioned previously, the Advisory Panel has held numerous discussions with government departments and agencies. This has not only made these bodies more sensitive to some of the problems encountered by business people, but allowed Panel members to gain a better understanding of government realities. Such discussions can only be fruitful, however, if they are based on openness and a mutual desire to lay the foundations of a new government-business partner-ship. In the Advisory Panel's opinion, a collaborative approach of this type is compatible with the orientations and objectives that underpin current efforts to modernize public administration.

As indicated earlier, the Advisory Panel feels that multiyear regulatory reform plans should provide departments and agencies with an opportunity to propose solutions to the regulatory and administrative problems raised by the Panel in its reports. The mandate conferred upon it in 1997 stipulated that it should "analyse and ... provide opinions" on regulatory review plans. Given that it has not fulfilled this part of its mandate but has concentrated primarily on defining problems and identifying appropriate solutions, it would now like to remedy this situation.

Consequently, the Advisory Panel recommends:

> **That the next advisory panel on regulatory reform be mandated essentially to:**
>
> - **work with departments and agencies in order to pinpoint and adopt measures likely to address business people's main concerns as described in the Advisory Panel's reports, primarily with regard to the streamlining of administrative procedures;**
> - **study the multiyear regulatory reform plans of the various departments and agencies to determine whether the orientations and means of action announced therein address business people's main concerns;**
> - **monitor regulatory reform and administrative streamlining in other jurisdictions and advise the government on this issue in the reports to be submitted to it;**
> - **improve the application of the regulatory reform policy, especially with regard to the quality of impact studies;**
> - **sensitize departments and agencies to the realities of SMEs and occasionally provide the government with opinions on bills and draft regulations that might affect these businesses;**
> - **submit a report to the Premier annually on the progress of regulatory and administrative streamlining work in government departments and agencies and make this report public.**

Given that heightening awareness in government departments and agencies calls for a change in public sector culture, it would be unrealistic to expect conclusive results to be achieved within less than two or three years. Therefore, without suggesting that the new panel be permanent, the Advisory Panel suggests that its next mandate should last at least two or three years.

GENERAL CONCLUSION

The work of the Advisory Panel has demonstrated that much remains to be done within the government to reduce the administrative burden on businesses to a level that economic agents would find acceptable. As mentioned previously, this burden is mainly attributable to the application of tax legislation and the regulation of the environment sector, and it affects primarily those sectors that are well represented in the regions (natural resources, farming and tourism).

On the basis of observations made by the Advisory Panel, it appears that the businesses most affected by the administrative requirements arising from the regulatory framework are small enterprises, that is, firms with fewer than 20 employees, emerging businesses and self-employed workers, or the vast majority of businesses in Québec. The public sector does not always seem to realize that these firms, which are responsible for most of the jobs created, do not have enough human and financial resources to meet the host of requirements imposed by the government. Many of them are weighed down by these obligations, and this affects their ability to develop and grow and, consequently, to create jobs.

In the course of its work, the Advisory Panel carefully studied numerous initiatives in various U.S. states, Canadian provinces and countries with which Québec competes and which face similar problems of administrative unwieldiness, with a view to identifying solutions that could be applied here. Over the past few years, these countries, states and provinces have introduced and often bolstered mechanisms, such as regulatory reform policies and compulsory impact studies, in order to better control the approval process for new legislative and regulatory proposals and review existing regulations in an effort to eliminate certain needless administrative requirements imposed on businesses. Since Québec is now more exposed than ever to international competition owing to globalization, the Advisory Panel strongly urges the Québec government to make its regulatory reform mechanisms more effective by drawing inspiration from the recommendations in this report based on experiences in other jurisdictions and by adapting a number of the solutions implemented in these areas to the Québec context.

The Québec government would benefit considerably from studying some of the rigorous policies introduced by the U.S. federal government and certain states to foster the development and growth of SMEs. These states currently have some of the lowest unemployment rates in the world.

In this report, the Advisory Panel has proposed what it considers to be highly promising solutions for alleviating the administrative burden on businesses. In particular, it would like to stress the important role that new information and communications technology (NICT) can play in streamlining administrative procedures and reducing the costs that such formalities occasion for businesses. The Panel strongly urges the government to encourage the main service-providing departments and agencies (e.g. the Ministère du Revenu) to step up NICT use in dealing with their clientele.

The Advisory Panel is aware that there can be a tendency in some circles to consider that the administrative requirements imposed on businesses are negligible. However, it would like to point out that these requirements as a whole account for roughly 30% of the total regulatory burden placed on businesses and that the proportion is much higher in the case of small enterprises. Any administrative streamlining measures that target the latter would be far from futile since they would directly benefit thousands of small emerging or growing businesses.

However, as its current mandate comes to an end, the Advisory Panel would like to remind the government that the business community expects government regulatory reform efforts to focus not only on administrative formalities but also on the very strict standards imposed by Québec's regulatory system, including those mentioned in the Panel's report of May 1998. In recent years, the Québec government has enacted legislation and regulations that are destined to have a considerable impact on businesses and economic competitiveness and will thus add to the regulatory burden, which is already considered very hefty. The Panel strongly urges the government to pursue its efforts to reduce regulatory requirements as a whole.

Lastly, the Advisory Panel is aware that the government has recently embarked on a far-reaching process designed to modernize public administration, which will lead to concrete commitments toward the National Assembly. It sincerely hopes that this ambitious undertaking will provide an opportunity for making public sector employees, particularly those responsible for developing regulatory measures and delivering services to businesses, more sensitive to the realities faced by firms, especially the hundreds of thousands of small enterprises that constitute our economic

fabric and are most hard hit by the administrative burden. The reform now under way must serve to make the public sector more aware of these realities and foster the emergence of a new government-business partnership that will have a positive impact on the future of Québec society.

COMMENTS OF LABOUR UNION MEMBERS

"Although we subscribe to most of the recommendations in this report, we would like to express a few reservations.

We do not agree with the recommendation that a moratorium be imposed on all new administrative requirements targeting businesses, nor with the recommendation that would oblige a large number of departments and agencies to meet an arbitrary objective for reducing the administrative burden. Apart from the fact that these recommendations should be discussed in depth and studied carefully, we believe that they go far beyond the scope of regulatory reform. It would be more appropriate to reflect on these issues within the context of a deregulation process, which involves an entirely different approach.

During its mandate, the Advisory Panel submitted a series of measures to the government to resolve the problems raised by businesses with regard to administrative requirements. If the government were to adopt and implement these measures, it would be able, far more than ever before, to streamline the obligations imposed on businesses by laws and regulations. In the Panel's opinion, this would render firms more efficient, make them easier to start up and develop, and reduce the costs associated with administering administrative requirements. We fully endorse this view.

In a world where tragic situations sometimes arise, we feel that it is unreasonable to limit the government's responsibility toward citizens, and the Advisory Panel shares this opinion. The government must ensure that the public interest prevails, be it with regard to the environment, public health or social assistance, while making a determined effort to foster administrative efficiency as well as transparency in its dealings with businesses. In our opinion, this is what the term regulatory reform really means."

Claude Rioux and Émile Vallée

RECOMMENDATIONS

ADVISORY PANEL ON REGULATORY REPORT

Recommendations made in its May 2001 report

GENERAL MEASURES

1. That the 20 departments and agencies listed in Table 1 of this report be required to observe a two-year moratorium, except where absolutely impossible, on the introduction of new administrative requirements for business firms (permits, reports, forms, etc.) arising from draft legislation and regulations submitted to the government for approval;

   That these departments and agencies be nonetheless allowed to prescribe new administrative requirements for firms provided they reduce by an at-least-equivalent proportion the administrative obligations they impose through other regulatory mechanisms under their responsibility.

2. That the 20 departments and agencies whose administrative procedures have already been inventoried be required to reduce their procedures by at least 20% over the next two years compared with the number recorded in 1998-1999.

MEASURES TARGETING THE APPLICATION OF TAX LEGISLATION

3. That a task force made up of representatives from the ministère des Finances, the ministère du Revenu and the Advisory Panel on Regulatory Reform or, if the latter's mandate is not renewed, business associations be set up to study possible ways of substantially simplifying Québec's tax system, particularly for small and medium-sized enterprises.

4. That the ministère des Finances be asked to consult more extensively with the ministère du Revenu before it introduces new fiscal measures in order to determine the administrative impact of these measures on business firms, and to select, in collaboration with the MRQ, the least cumbersome means (i.e. forms, controls) of implementing them.

5. That the ministère du Revenu and the ministère des Finances be asked to jointly:

   - explore the possibility of further simplifying form CO-17 for corporations;
   - prepare a "simplified" corporate income tax return (form CO-17) for small businesses in Québec, similar to the simplified form for individuals;
   - study the possibility of exempting emerging businesses that are eligible for the tax holiday with respect to income tax, the tax on capital and the contribution to the Health Services Fund from filing corporate income tax returns.

6. That the ministère du Revenu offer both individuals and corporations free access to income tax return software, or that it take steps to allow tax returns to be prepared on line.

7. That the ministère des Finances du Québec be asked to explore, in collaboration with federal authorities, the possibility of setting up a GST-QST tax credit system for exporting firms that are chronically faced with financing problems related to the GST and QST payable on their equipment investments.

8. That the ministère du Revenu ensure that the only information it requests from business firms and from individuals carrying on a business is that which cannot be obtained from other government sources and which is necessary for the sound administration of tax legislation.

9. That, because of the complexity of Québec's tax system, the ministère du Revenu should step up its training efforts for employees who have to deal directly with business firms.

10. That the ministère du Revenu be asked to indicate, on all notices of interest charges or penalties addressed to businesses, what means it has used (periods, rates, computation methods, etc.) to calculate the amounts claimed.

11. That the ministère du Revenu indicate as often as possible on all correspondence addressed to businesses the name and telephone number of a person who can be contacted easily to obtain additional information and explanations.

12. That the ministère du Revenu ensure that each firm is informed of any accounts payable it has at the department and, where applicable, that these accounts be used to offset outstanding debts.

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13. That the ministère du Revenu be asked to set stricter rules regarding the time limit for processing files and formalities that affect businesses.

MEASURES TARGETING THE APPLICATION OF ENVIRONMENTAL REGULATIONS

14. That the ministère de l'Environnement be officially mandated to propose a schedule to Cabinet for implementing concrete administrative streamlining measures that are in keeping with those recommended by the Advisory Panel in its June 2000 report and that target in particular the authorization process prescribed by sections 22 and 31.5 of the *Environment Quality Act*.

15. That the ministère de l'Environnement be mandated to propose a separate streamlined procedure to Cabinet by next year for projects that reduce or do not increase the amount of contaminants discharged into the environment.

16. That the ministère de l'Environnement be asked to evaluate the *Regulation respecting environmental impact assessment and review* and to propose a re-examination of projects subject to it in order to exempt certain ones with a limited environmental impact from the procedure, without jeopardizing environmental protection.

17. That the ministère de l'Environnement be asked to extend the pilot study under way in the Mauricie, which is aimed at combining all the statutory instruments issued to businesses into a single authorization certificate per firm, to all administrative regions.

MEASURES TARGETING THE OCCUPATIONAL HEALTH AND SAFETY SYSTEM

18. That the CSST be asked to adapt its technological infrastructures so that, under the occupational health and safety system, businesses can deal with this agency and access files that concern them in a more convenient fashion, via the Internet.

19. That the CSST be asked to clarify, within the near future, its policy directions respecting the reporting and calculation of wages and assessments in order to better adapt these aspects of the occupational health and safety system to the reality of firms whose activity levels are difficult to predict.

MEASURES TARGETING CERTAIN ECONOMIC ACTIVITY SECTORS

20. That Tourisme Québec be mandated to take steps, with the active participation of the main departments and agencies concerned, to significantly reduce regulatory and administrative requirements in Québec's tourism industry (accommodation, camping and restaurant sectors, etc.), and that it be required to submit a report on its activities to the government.

21. That the Régie des alcools, des courses et des jeux be asked to submit to Cabinet in 2001 concrete administrative streamlining measures targeting businesses that are subject to the regulatory controls governing the acquisition, conservation and sale of alcoholic beverages, as well as an action plan for completing this regulatory reform.

22.
- That the government study the possibility of re-examining the regulatory provisions that govern the business hours of commercial establishments with a view to easing them;
- That all establishments which hold permits for the sale of alcoholic beverages be treated equally with regard to the rules governing the hours at which such products may be sold.

23. That the Québec government mandate the Office de la protection du consommateur to review existing requirements with respect to the marking of prices on all items sold in stores with a view to easing these requirements, particularly by increasing the number of exempted products and raising the price limit under which this practice is no longer compulsory.

MEASURES TARGETING INCREASED NICT USE IN THE GOVERNMENT

24. That the government, and more specifically the ministère de l'Industrie et du Commerce, strongly encourage, using appropriate measures, small and medium-sized enterprises to adopt NICT, so as to ensure they benefit fully from the enormous possibilities soon to be offered by the electronic delivery of government services.

25. That the government encourage CEFRIO or another organization to conduct a study designed to specify the needs and expectations of businesses in terms of NICT, based on their size and sector of activity, in order to enable the government to adjust its supply of electronic services to corporate realities.

26. That the government, while encouraging self-employed workers and small businesses to shift rapidly to electronic modes of communication, continue to offer the services required for their development via conventional modes, given that these firms and workers have fewer Internet connections than large businesses.

27. That the Québec government mandate those responsible for the reform of public administration to ensure, in collaboration with the Secrétariat à l'allégement réglementaire and the departments and agencies concerned, that the administrative procedures arising from

Québec's regulatory system, especially those relating to government forms, be simplified before allowing them to be performed via electronic media.

28. That the Québec government give priority to projects dealing with the application of tax legislation when it carries out its plan of action to implement NICT for electronic service delivery to businesses and the general public.

29. That the government devise a strategy for the electronic delivery of services to businesses that eliminates duplication in collecting information (e.g. when a business is starting up or changing its address) by providing for a single data-input process that can be used by several departments or agencies.

30. That steps be taken to devise and maintain high standards of quality for electronic service delivery, involving:

- constant updating of the information presented;
- logical presentation of information based on the needs (start-up, hiring, investment projects, etc.) and specific profiles of each business category (sector of activity, location, number of employees, etc.);
- accurate replies to all information requests;
- rapid response and transaction times;
- harmonization of presentation methods and transaction protocols.

MEASURE TARGETING THE USE OF ALTERNATE SOLUTIONS TO TRADITIONAL REGULATORY MEASURES

31. That the government compile, for use by its departments and agencies, a guide that contains a number of alternate solutions to traditional regulation, and that incites them to consider these diverse alternatives and perform a cost-benefit analysis of each one, in order to select the method that is most advantageous both for business firms and for society as a whole.

MEASURE TARGETING MUNICIPAL BY-LAWS

32. That the ministère des Affaires municipales et de la Métropole (MAMM) be invited to undertake, with municipal unions, discussions aimed at streamlining municipal by-laws governing businesses, especially small firms, to ensure that such regulations do not subject them to any superfluous restrictions. The municipalities are also urged to consult the business sector in this regard;

That the MAMM encourage municipalities to better harmonize their regulatory framework with that of the Québec government and other municipalities;

That the MAMM make municipalities aware of the usefulness of conducting appropriate impact studies before subjecting businesses to new regulatory measures;

That, as part of the reform of municipal law undertaken in the past few years, the MAMM ensure that the approach used to delegate regulatory powers be focused on defining the objectives to be achieved rather than on setting out the means of achieving them.

MEASURES TARGETING THE ENHANCEMENT OF THE REGULATORY REFORM POLICY'S EFFECTIVENESS

33. That, in order to improve the quality of impact studies, the Québec government adopt guidelines specifying the methodology to be used and the information to be provided in studies of this type prepared by government departments and agencies wishing to propose bills or draft regulations with a major impact on businesses.

34. That the government modify its regulatory reform policy to ensure that interested parties have ready access to impact studies on important bills and draft regulations and are not obliged to have recourse to the *Act respecting Access to documents held by public bodies and the Protection of personal information*.

35. That departments or agencies that wish to have a bill or draft regulation requiring an impact study adopted be obliged to publish a summary of the study on their Web site or elsewhere:

- when the draft regulation is pre-published; or
- when the bill is tabled in the National Assembly.

36. That departments or agencies about to propose a bill or draft regulation that does not require an impact study within the meaning of Order in Council 1362-96 (i.e. proposals with an anticipated impact of less than $10 million) be required to describe its main repercussions in a short document published on their Web site:

- when the draft regulation is pre-published; or
- when the bill is tabled in the National Assembly.

37. That departments or agencies seeking the adoption of a bill or draft regulation that has an impact on businesses, be it greater or less than $10 million, be required to publish, at the same time as they release a description of its repercussions, a comparative analysis (or a summary of it) of solutions adopted in the main neighbouring jurisdictions that face a similar problem in Canada or the United States.

38. That the regulatory reform policy be modified to require departments and agencies to fill out an "impact statement" based on the one proposed in an appendix to this report for bills or draft regulations whose anticipated impact on businesses is estimated at less than $10 million.

39. That the regulatory reform policy be modified to require departments and agencies to fill out an impact statement in order to comply with the proposed requirement to publish a description of the main repercussions of a bill or draft regulation as well as a comparative analysis.

40. That the government adopt a mechanism enabling it to table, once a year if possible, an omnibus bill in the National Assembly dealing exclusively with concrete regulatory reform and administrative streamlining proposals put forward by departments and agencies.

MEASURES TARGETING THE CREATION OF A NEW ADVISORY PANEL

41. That a new advisory panel on regulatory reform be created as soon as possible to pursue the work begun by the present Advisory Panel and to continue advising the government on means of reforming existing regulations and streamlining administrative procedures that affect businesses, particularly small ones.

42. That the new advisory panel continue to report directly to the Premier of Québec, who is much better placed than sectoral ministers are to coordinate regulatory reform within the government as a whole and produce tangible results.

43. That the next advisory panel on regulatory reform consist mainly of business people, largely from SMEs, and include two people from organized labour and one person from environmental circles.

44. That the next advisory panel on regulatory reform be mandated essentially to:

- work with departments and agencies in order to pinpoint and adopt measures likely to address business people's main concerns as described in the Advisory Panel's reports, primarily with regard to the streamlining of administrative procedures;
- study the multiyear regulatory reform plans of the various departments and agencies to determine whether the orientations and means of action announced therein address business people's main concerns;
- monitor regulatory reform and administrative streamlining in other jurisdictions and advise the government on this issue in the reports to be submitted to it;
- improve the application of the regulatory reform policy, especially with regard to the quality of impact studies;
- sensitize departments and agencies to the realities of SMEs and occasionally provide the government with opinions on bills and draft regulations that might affect these businesses;
- submit a report to the Premier annually on the progress of regulatory and administrative streamlining work in government departments and agencies and make this report public.

APPENDICES

THE BOLOGNA CHARTER ON SME POLICIES

(adopted on 15 June 2000)

Ministers and Representatives of governments of: Algeria, Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, Chile, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Hungary, Iceland, India, Indonesia, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, Morocco, Netherlands, New Zealand, Norway, Philippines, Poland, Portugal, Romania, Russian Federation, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Tunisia, Turkey, United Kingdom, United States and Vietnam, **participating in the Bologna Conference**:

RECOGNISING the increasing importance of small and medium-sized enterprises (SMEs) in economic growth, job creation, regional and local development, and social cohesion, also through the role played by women and young entrepreneurs;

RECOGNISING that entrepreneurship and a dynamic SME sector are important for restructuring economies and for combating poverty;

RECOGNISING that globalisation, the acceleration of technological change and innovation create opportunities for SMEs but also involve transition costs and new challenges and that globalisation should lead to higher living standards for all and that its benefits should be accessible to all on an equitable basis;

RECOGNISING that SME policies need to be tailored to the circumstances and priorities of individual countries and sectors, while contributing to sustainable development and social progress;

WELCOMED the work on SMEs by the OECD[1] and other international institutions and encouraged continued multilateral exchange of experience and best practice policies with a view to strengthening partnership and co-operation among SMEs in OECD and non-OECD countries. In this perspective, **this first Conference of Ministers responsible for SMEs and Industry Ministers, jointly organised by the OECD and Italy**, is a major opportunity to identify public and private sector actions to help SMEs develop their local strengths while capturing the benefits of globalisation and trade liberalisation.

ACKNOWLEDGED that SME competitiveness would benefit from:

- A regulatory environment which does not impose undue burdens on SMEs and is conducive to entrepreneurship, innovation and growth through, *inter alia*: promoting good governance and greater accountability in public administration; pursuing a fair and transparent competition policy, and implementing effective anti-corruption measures; and fostering the implementation of transparent, stable and non-discriminatory tax regimes.
- Education and human resource management policies that: foster an innovative and entrepreneurial culture, including continuous training and lifelong learning; encourage mobility of human resources; and reduce skill disparities by improving the match between education and labour market demand.
- Effective access to financial services, particularly to seed, working and development capital, including innovative financial instruments to reduce the risks and transaction costs of lending to SMEs.
- An environment that supports the development and diffusion of new technologies for and by SMEs to take advantage of the knowledge-based economy.
- Strengthening public-private partnerships and political and social dialogue involving territorial and institutional actors as a tool for exchange of information, utilisation of knowledge and elaboration of policy.
- Ensuring the cost-effectiveness of SME policies and their consistency with other national policies, as well as with existing international programmes.

1. Including the European Community.

RECOGNISING the vital contribution of innovation to SME competitiveness, the central role played by SMEs in national innovation systems, and the importance of improved access to information, financing and networking in facilitating the innovation process, RECOMMENDED that in developing SME policies, the following be considered:

- SMEs' ability to manage innovation be improved by: facilitating the hiring and training of qualified personnel; diffusing an innovation culture; disseminating technological and market information and providing related assistance (e.g. through improvements in relevant labour market mechanisms, and linkages between enterprises and education systems, and between industry and public and university research).
- Financial barriers to innovation in SMEs be reduced by: *I)* facilitating the development of market mechanisms for equity financing, and related services, especially for innovative start-ups; *II)* promoting risk-sharing programmes and measures, including financial support and tax incentives to R&D and innovation; and *III)* supporting initiatives which facilitate "partnerships for innovation" between entrepreneurs, public agencies and financiers.
- SME access to national and global innovation networks be facilitated and their participation in public R&D programmes and procurement contracts encouraged.

RECOGNISING that, in a number of countries, clusters[2] and networking can stimulate innovative and competitive SMEs, RECOMMENDED that in developing SME policies, the following be considered:

- Partnerships involving private actors, NGOs and different levels and sectors of public administration in local cluster and networking development strategies be facilitated.
- The private sector lead cluster initiatives, with the public sector playing a catalytic role according to national and local priorities (e.g., *inter alia*, facilitating private investment with public incentives, facilitating seed funding and monitoring the results of network initiatives).
- Public and private sector bodies foster the growth of clusters (existing and embryonic) by: improving their access to accommodation and efficient communications and transport infrastructures; facilitating local specialisation in university-industry linkages; disseminating targeted information, including on locational advantages and investment attractiveness; promoting suppliers' networks, technical support services, learning circles and other collaborative undertakings.

RECOGNISING that electronic commerce creates opportunities and challenges for SMEs, RECOMMENDED that in developing SME policies, the following be considered:

- Full account be taken of SME perspectives in the drafting of guidelines, rules and regulatory initiatives and instruments related to information and communication technologies (ICTs) and electronic commerce, taking into particular consideration the conclusions of the OECD Ministerial Conference on Electronic Commerce held in Ottawa in October 1998.
- Greater awareness among SMEs of the benefits of the Information Society and of integrating Internet use and electronic commerce in their business strategies be fostered by: *I)* encouraging the dissemination of information on opportunities and obstacles related to electronic commerce; *II)* removing paper-based legal barriers to commercial electronic transactions and administrative impediments to the creation and development of new firms; *III)* fostering a competitive market for high-quality network infrastructure; and *IV)* making use of the Internet in public administrations' interactions with SMEs and promoting electronic public procurement initiatives that provide equal access to SMEs.
- SMEs' participation in electronic commerce be enhanced by: *I)* fostering an environment conducive to business-led initiatives to promote the use of ICTs and electronic commerce (e.g. resource and demonstration centres, training initiatives, pilot projects); *II)* encouraging the development of effective and user-friendly frameworks for certification, authentication, transaction security systems, privacy, and consumer protection and, more generally, providing an attractive business environment for electronic commerce in areas such as trade, competition, intellectual property rights (IPRs), standards, and taxation; and *III)* enabling SMEs to work within a clear, consistent and predictable legal framework for electronic commerce, which allows access to "out-of-court" dispute resolution mechanisms, without imposing undue costs or burdens.

2. Clusters can be characterised as production networks of strongly interdependent firms (including specialised suppliers) linked to each other in value-adding production chain. In some cases, clusters also encompass alliances with universities, research institutes, knowledge-intensive business services, bridging institutions (brokers, consultants) and customers. (OECD (1999), *Boosting Innovation: The Cluster Approach*).

With regard to enhancing the competitiveness of SMEs in transition economies and developing countries in the global economy and their partnership with SMEs of OECD countries, RECOMMENDED that in developing SME policies, the following be considered:

- Co-ordination between governments, and regional and international organisations as regards industrial development programmes and initiatives aimed at supporting the growth of SMEs in transition and developing economies be improved.
- Support and financial services, including those carried out by intermediaries (e.g. self-help organisations, business associations, technical assistance centres, etc.), be promoted in ways that foster international co-operation and partnership among SMEs and provide improved access to information, financial and technological resources and new markets.
- SME policies in developing and transition economies promote the long-term development of the sector and encourage networking. Policy and institutional mechanisms favouring large, often state-owned enterprises over SMEs, notably in sectors not characterised by economies of scale or other conditions of "natural monopoly", should be removed.

FUTURE ACTIONS

Ministers and Representatives of governments of countries participating in the Bologna Conference:

AGREED to work together and within international organisations to improve the complementarity of bilateral and multilateral initiatives to foster global SME partnerships and enhance the availability of financial and non-financial instruments to promote SME development.

AGREED on the usefulness of benchmarking the effectiveness of SME policies, regulatory environment and performance, based on data and statistics collected at national and sub-national level, including on electronic commerce.

TOOK NOTE, with interest, of the **Italian proposal for an International Network for SMEs** (**INSME**) and the Italian initiative to promote it. They **WELCOMED** Italy's offer to carry out a feasibility study, including a need assessment, to define its possible design and development, which could also benefit from support by interested countries and private sector inputs. **Ministers and the OECD will be kept informed on the results of the feasibility study** [*see the Conference document entitled: Italian Proposal for an "International Network for SMEs (INSME)"*].

AGREED on the importance of building on the achievements of the Bologna Conference and of pursuing the policy dialogue among OECD Member and non-member countries, and **LOOKED FORWARD** to the possibility of holding a second Conference of Ministers responsible for SMEs and Industry Ministers to assess the impact on SMEs of new developments relating to globalisation.

DESCRIPTION AND ASSESSMENT OF THE COST OF CERTAIN ADMINISTRATIVE PROCEDURES IMPOSED ON QUÉBEC BUSINESSES

1. Annual declarations under the *Act respecting the legal publicity of sole proprietorships, partnerships and legal persons*

Every year, businesses registered with the Québec business register must file a declaration to update the information that concerns them. This information is primarily designed to make public their commercial names, the make-up of their boards of directors, their associates and the addresses of their places of business in Québec.

Each firm must file its annual declaration on a form supplied by the Inspecteur général des institutions financières (IGIF) during the period prescribed by regulation, which varies according to businesses's judicial form. The form sent out by the IGIF, which comes with an explanatory guide, corresponds to the judicial form of the business concerned and contains information already filed by it. Businesses are required to update, if necessary, the information that pertains to them, sign the form and return it with the fees they have to pay, which range from $32 to $79.

Failure to comply with the obligation to file an annual declaration results in businesses's being officially struck from the register by the IGIF, which has a number of legal consequences. For example, it leads to the dissolution of legal persons incorporated under a Québec statute (e.g. *Companies Act*, *Cooperatives Act*), making them technically unable to operate.

Considering that, in 1998, 397 080 profit-oriented enterprises had to file an annual declaration and devoted, depending on whether they were sole proprietorships, partnerships or legal persons, 10 to 30 minutes to this task, it is estimated that compliance with this procedure cost a total of **$8 million** that year.

2. Mechanical inspection certificates required by the SAAQ

Under sections 540 ff. of the *Highway Safety Code* and the provisions of the *Regulation respecting safety standards for road vehicles*, the Société de l'assurance automobile du Québec (SAAQ) is responsible for administering the mechanical inspection of the various classes of vehicles that use Québec's roads.

Designated businesses must have their vehicles inspected at a garage that has a certified mechanic at the frequency stipulated in the *Code* (annually, semi-annually or occasionally). According to the SAAQ, it takes between 30 and 45 minutes to complete the required inspection. The mechanic then has to fill in form 6102-8, which is provided by the SAAQ. Once the vehicle has been inspected, it is declared to conform or not to conform with the standards laid down in the *Code*. If it conforms to these standards, the owner receives an inspection sticker; if it is does not conform, the owner must have the appropriate repairs carried out before he may be issued an inspection sticker for the vehicle concerned.

Garages charge between $50 and $75 to do the required inspection and fill out the prescribed form. In addition, it is estimated that it takes the owner or an employee of the garage a total of two hours to complete the inspection. Taking the cost of gas and stickers into account, the 320 700 mechanical inspections carried out in Québec as a whole in 1998-1999 are estimated to have cost a total of roughly **$40 million**, not counting the revenue lost when vehicles were not being used.

These costs were covered in full by the owners of the vehicles concerned.

3. Statements of wages filed with the CSST by construction companies

Under the *Act respecting occupational health and safety*, businesses with at least one employee must fill out a statement of wages and send it to the Commission de la santé et de la sécurité du travail (CSST) before March 15 of each year. This statement provides the basis for calculating the premiums employers have to pay.

Employers may fill out their statement of wages with the help of a detailed 36-page guide, a short 28-page guide or equivalent information available on the CSST's Web site. Essentially, they have to provide two types of information on this form: the amount of insurable wages they paid the previous year and the amount of insurable wages they expect to pay during the current year. Therefore, the "2000-2001 Statement of Wages", which employers were required to file before March 15 of this year, had to indicate the amount of insurable wages actually paid in 2000 and the amount of insurable wages projected for 2001. Regardless of whether an employer is reporting insurable wages actually paid or those that he expected to pay, he must divide them into several categories or units of classification if the classification notice he received from the CSST in the fall of the year in question indicates that he is obliged to divide his activities into several different units. Apparently, 30 000 of the 176 000 businesses registered with the CSST find themselves in this situation. It should also be

noted that firms do not pay their premiums when they file statements of wages, but only after receiving a notice of assessment from the Commission. Such notices are sent out starting in March.

In addition to serving as the bass for calculating premiums for the current year, statements of wages can be used to determine if there is a difference between the amount of insurable wages actually paid for the previous year and those that had been projected, with a view to adjusting premiums for that year, with interest. The CSST pays interest when premiums are revised downward and collects interest, at the same rate, when premiums are revised upward.

Filling out statements of wages is generally more complicated for the 20 000 construction companies in Québec than it is for other types of businesses. The activities of construction firms are often divided into several classification units, which obliges these businesses to keep track of the activities of each employee on a weekly basis, taking the specifications of the construction industry into account. If a company fails to keep such records, its activities will be classified in the unit with the highest assessment rate. The basic assumption underlying current regulations is that businesses are able to estimate, as of March 15, what contracts they will obtain during the rest of the year. Construction companies consider this assumption to be unrealistic and complain that they have to make far more speculations in this regard than any other type of business.

Filling in statements of wages for the CSST in the construction sector alone might cost close to **$20 million**, considering the large number of firms in this sector and the minimum amount of time they must devote to this task once a week for approximately 10 months a year. It should be noted that it is often the employers themselves who have to prepare these statements.

4. Sales tax returns

All registered sole proprietorships and legal persons must charge Québec sales tax (QST) and goods and services tax (GST) on their sales and pay these taxes to their suppliers. However, they recover the amount of QST and GST paid on production inputs. They have to remit the difference between taxes collected and taxes paid on inputs to the ministère du Revenu du Québec (MRQ). Small suppliers, whose taxable sales amount to $30 000 or less, can choose whether to register as mandataries or not.

The MRQ has prepared a guide (63 pages) providing general information on the GST and the QST, a guide for determining who is required to register for these taxes (15 pages) and numerous schedules (over 40) taking special cases into account. Businesses must file sales tax returns monthly if their annual taxable sales amount to over $6 million, quarterly if their sales are less than $6 million and annually if they are under $500 000.

The QST and GST are now almost fully harmonized and mandataries are required to file only one return for both taxes, showing, however, a breakdown of the amounts involved in each case. Both taxes are paid in a single payment. Returns may be filed in paper or electronic format along with the necessary payments, provided they are simple returns with no schedules. The amount of GST and QST payable may also be calculated using a quick method if a business's taxable sales do not exceed $200 000, while a simplified method may be used to compute input tax credits (ITCs) and input tax refunds (ITRs) if a business's total taxable sales are less than $500 000. If the amount of taxes payable is under $1 000, entrepreneurs may ask to be exempted from filing a return during the fiscal year concerned.

To carry out their role of mandataries, entrepreneurs must use a rigorous accounting system allowing them to bill GST and QST on taxable sales, calculate the total amount of GST and QST they collect on such sales, identify and calculate the total amount of GST and QST they pay on purchases of taxable inputs, calculate net GST and QST, and file returns.

As at March 31, 1999, over 500 000 mandataires were registered with the MRQ and 336 000 quarterly returns and more than 2 000 000 monthly returns had been filed. Given that entrepreneurs do not have to remit taxes to the MRQ as soon as they are collected, businesses, especially large ones, enjoy cash flow benefits under the sales tax system. Although the time involved in and cost of complying with GST and QST regulations have not been calculated precisely, some studies estimate that small businesses devote over 32 hours per year to this task, in respect of the QST alone, which means that all businesses subject to GST and QST could easily spend over $1 billion for this purpose.

5. Contribution to the Fonds national de formation de la main d'œuvre (FNFMO)

All businesses with a total payroll of over $250 000 in a given calendar year are required to participate in developing manpower training by devoting an amount equal to at least 1% of their payroll to such training.

All businesses subject to the *Act to foster the development of manpower training* must file a return, known as the *Summary of Source Deductions and Employer Contributions*, with the MRQ. Although it looks as though it would be fairly easy to fill out this form, this task requires a considerable amount of work on the part of firms or outside experts. For this purpose, businesses must calculate their total payroll using the schedule provided

in the Act. To determine, where applicable, their contribution to the FNFMO, they must calculate all expenditures related to training activities. This exercise can be tedious, owing to the regulations pertaining to the identification of eligible expenditures. To be able to calculate these expenditures, they must keep a register up to date and record information on the wages and hours of training applicable to each employee. Since all expenditures over and above an amount equal to 1% of a business's payroll may be carried over to the following year, it is in the interest of firms to keep registers.

Under existing regulations, businesses are also required to issue, at least once a year, certificates attesting to the training activities of each employee.

In addition, they must submit to Emploi-Québec what is known as the *Form to be Filled out by the Employer*, which is designed to provide general information on training activities held by businesses (e.g. who receives training and who provides it). The information recorded in the register must be used to fill out this form.

Slightly over 30 000 businesses, with a payroll of more than $250 000, were required to comply with these formalities in 1998-1999. According to the information obtained from these firms, they themselves and/or outside professionals had to devote 20 to 180 hours per year to this task, for an estimated total cost of over **$45 million**.

This estimate does not take into account costs generated by activities related to planning training within businesses (e.g. assessing training needs, preparing training plans and finding instructors). Therefore, it is probably very conservative.

6. RL-1 slips for reporting employee income and *Summary of Source Deductions and Employer Contributions* forms

Every year, employers must send information slips to the MRQ to report salaries, wages, taxable benefits, tips and any other remuneration received by each employee. A total of 5 949 729 RL-1 slips were sent to the MRQ in 1998-1999, of which some 4 600 000 were for private-sector employees.

All of the RL-1 slips of a given business firm must be attached to the *Summary of Source Deductions and Employer Contributions* (RLZ-1.S), which is a two-page form on which employers are required to indicate, in summary form, all source deductions and contributions payable, namely, income tax and contributions to the Health Services Fund (HSF), the Commission des normes du travail (CNT), the Fonds national de formation de la main-d'œuvre (FNFMO), and so forth. In 1998-1999, 309 454 *Summary of Source Deductions and Employer Contribution* forms were sent to the MRQ.

For large businesses that are equipped with computers, filling in RL-1 slips and *Summary of Source Deductions and Employer Contribution* forms can be a fairly simple, mechanical operation. It requires, however, when pay cheques are prepared, a number of calculations that stem largely from complex regulatory obligations, which are explained in a 55-page guide based on several documents, including source deduction tables for calculating contributions to the Québec Pension Plan and the amount of income tax that each employee has to pay.

On the basis of figures supplied by accounting firms, it is estimated that preparing the some 4.5 million RL-1 slips submitted to the MRQ in 1998-1999 could have easily cost Québec businesses a total of **over $150 million**. As for the close to 310 000 *Summary of Source Deductions and Employer Contribution* forms sent in, it is estimated that their preparation would have cost **roughly $20 million**; this is not to mention the time it would have taken to estimate eligible expenditures under the *Act to foster the development of manpower training*, which, as seen earlier, generates substantial costs for businesses.

7. Administrative procedures imposed on small businesses under the pay equity system

Under the *Pay Equity Act*, all enterprises with 10 or more employees are required to determine, by November 21, 2001 at the latest, the wage adjustments they will have to pay in order to grant, for *equivalent* work, the same remuneration to employees who occupy positions in predominantly female job classes as that granted to employees who occupy positions in predominantly male job classes. To achieve this objective, which involves comparing different types of jobs (e.g. secretarial jobs with mechanics' jobs), businesses have to follow a highly structured administrative procedure. They are allowed to spread the payment of the wage adjustments determined in the process over a period extending up to November 2005.

The Act explains in detail the procedure to be followed for determining wage adjustments in enterprises with 50 to 99 employees and is even more explicit with regard to that to be applied in firms with 100 employees or more. However, it provides no indication as to what procedure should be applied in businesses with 10 to 49 employees, even though such firms have to follow an equally structured approach; it merely stipulates that employers "must ensure the process does not discriminate on the basis of gender."

Essentially, small firms have two choices. They can entrust the task of determining wage adjustments to a pay equity expert or use the guide that the Commission de l'équité salariale has prepared in fulfilling the responsibility conferred upon it by the Act to develop tools to facilitate the achievement of pay equity in businesses with fewer than 50 employees (s. 93, para. 9). With regard to the first option, it should be noted that, in its June 2000 report, the Advisory Panel estimated that a small business would have to pay from $6 000 to $12 000 to apply the pay equity procedure with the help of an outside expert.

If businesses choose the second option, which inevitably requires more time on the part of certain employees and the heads of the firms concerned, they have to follow the procedure described in the Commission's guide, which may be broken down into several very technical stages: identification of predominantly female job classes, predominantly male job classes and mixed job classes; comparison of predominantly female job classes with predominantly male job classes, by taking the four factors provided in the Act into account; valuation of differences in wages between job classes on an individual basis (job-by-job comparison) or on an overall basis using earning curves; and so forth.

It is likely that this second approach will cost small businesses at least as much as the first one, i.e. roughly **$200 million to $400 million**.

8. Obtaining certificates of authorization under section 22 of the *Environment Quality Act*

The purpose of the *Environment Quality Act* is to preserve the quality of the environment, promote its depollution and prevent its degradation. One of the means provided by the Act for this purpose is the establishment of a prevention system aimed at requiring the proponents of certain activities or projects to obtain prior authorization from the Ministère de l'Environnement. Section 22 of the Act is designed to prevent environmental degradation by obliging individuals, businesses and so forth to apply for a certificate of authorization before implementing projects. It targets mainly projects in terrestrial environments and works or installations in hydrous environments or wetlands that are likely to lead to the emission or discharge of contaminants into the environment.

In accordance with the procedure for obtaining a certificate of authorization, applicants must fill out the form prescribed for this purpose by MENV; a specific form for each sector (farming, forestry, etc.) is available on the Internet. At this stage, they may meet with a regional representative of MENV to obtain the information they need to fill out the authorization application properly. The following information must be provided for all projects: the applicant's identification, a description of the project (cadastral designation of the lots concerned, nature of the activities to be carried out, and possible impact with regard to the discharge of contaminants), and a certificate of conformity with municipal by-laws issued by the municipality or municipalities affected by the project.

Specific information relating to the nature of the project and the industrial sector concerned are also required. For example, eight different schedules may have to be filled out for projects in the agricultural sector depending on their components. To fill in some of these schedules, businesses have to hire the services of outside experts (agronomists, surveyors, etc.).

All applications submitted to MENV are studied at the department, and this process that can lead to requests for additional information. Once a certificate of authorization has been issued, MENV ensures, both during the project and once it is completed, that the work conforms to the certificate.

The some 4 000 authorization certificates issued annually under section 22 of the *Environment Quality Act* are processed, 75% to 80% of the time, within 90 days. The cost of obtaining these certificates varies widely from one project to another, i.e. from a few hundred dollars to tens of thousands of dollars. There is reason to believe, therefore, that the total administrative cost of obtaining these 4 000 certificates could easily reach millions of dollars for concerned businesses as a whole.

IMPACT STATEMENT

A) IDENTIFICATION OF PROPOSAL AND PROBLEM TO BE RESOLVED

1. Department / agency: _____

2. Contact person: _____ Phone number: _____

3. Title of proposal: _____

4. Brief summary: _____

_____

5. Type of businesses affected:

Size of business: ☐ SME ☐ Large ☐ General

Costs to business: ☐ < $10 M ☐ > $10 M

6. Problem to be resolved: _____

_____

B) MAIN IMPACT OF PROPOSAL

1. Cost of proposal for the private sector:

a) sector(s) targeted: _____

_____

b) number of businesses: _____

c) financial and temporal effort required (identification, assessment) : _____

- administrative costs: _____

  _____

- capital costs: _____

  _____

- indirect costs: _____

  _____

d) other costs (identification, assessment): _____

_____

e) assessment of total costs: _____

2. Costs for the public sector:

- assessment of total costs: _____

3. Benefits of proposal:

a) Identification of benefits: _____

_____

b) Assessment of benefits: _____

_____

C) OTHER SOLUTIONS

1. Briefly describe one or more other solutions envisaged, along with their associated costs and benefits: _____

2. If no other solution is envisaged, explain why: _____

D) COMPARATIVE ANALYSIS

Identify solutions adopted by neighbouring jurisdictions faced with a similar problem: _____

LIST OF ASSOCIATIONS THAT FILED A REPORT WITH THE ADVISORY PANEL IN 2000*

1. Quebec Food Retailers Association (QFRA)
2. Quebec Forest Industries Association (QFIA)
3. Association des manufacturiers et des exportateurs du Québec
4. Camping Québec
5. Centre patronal de l'environnement du Québec (CPEQ)
6. Chambre de commerce du Québec
7. Regroupement des jeunes gens d'affaires du Québec

* These reports are in addition to the 23 received for the same purpose in 1999.

LIST OF THE MAIN ABBREVIATIONS USED IN THIS REPORT

ASC	Advertising Standards Canada
BNQ	Bureau de normalisation du Québec
BTF	Business Task Force on Regulatory Impact
CAMVAP	Canadian Motor Vehicle Arbitration Plan
CCPA	Canadian Chemical Producers' Association
CEFRIO	Centre francophone d' informatisation des organisations
CFIB	Canadian Federation of Independent Business
CIRANO	Centre interuniversitaire de recherche en analyse des organisations
CLD	Local development centre
CLE	Local employment centre
CPTAQ	Commission de protection du territoire agricole du Québec
CSA	Canadian Standards Association
CSN	Confédération des syndicats nationaux
CSST	Commission de la santé et de la sécurité du travail
CTQ	Commission des transports du Québec
EPA	Environmental Protection Agency
FAPAQ	Société de la faune et des parcs du Québec
FSC	Forest Stewardship Council
FTQ	Fédération des travailleurs et travailleuses du Québec
GDP	Gross domestic product
GORR	Governor's Office of Regulatory Reform
GST	Goods and services tax
HSF	Health Services Fund
IGIF	Inspecteur général des institutions financières
IRSST	Institut de recherche Robert-Sauvé en santé et en sécurité du travail
ISO	International Organization for Standardization
ISQ	Institut de la statistique du Québec
IWRP	Industrial Waste Reduction Program
MAMM	Ministère des Affaires municipales et de la Métropole
MAPAQ	Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec
MENV	Ministère de l'Environnement
MFQ	Ministère des Finances du Québec
MIC	Ministère de l'Industrie et du Commerce
MJQ	Ministère de la Justice du Québec
MRCI	Ministère des Relations avec les citoyens et de l'Immigration
MRN	Ministère des Ressources naturelles
MRQ	Ministère du Revenu du Québec
MSS	Ministère de la Solidarité sociale
NEQ	Québec business number
NICT	New information and communications technology
OAL	Office of Administrative Law
OECD	Organization for Economic Co-operation and Development
OIRA	Office of Information and Regulatory Affairs
OMB	Office of Management and Budget
OPC	Office de la protection du consommateur
ORR	Office of Regulatory Reform
QFIA	Quebec Forest Industries Association
QST	Québec sales tax
RACJ	Régie des alcools, des courses et des jeux
RBQ	Régie du bâtiment du Québec
RCM	Regional county municipality
RIU	Regulatory Impact Unit
RRQ	Régie des rentes du Québec
SAAQ	Société de l'assurance automobile du Québec
SADC	Community development assistance corporation
SAREG	Secrétariat à l'allégement réglementaire
SBA	Small Business Administration
SCT	Secretariat of the Conseil du trésor
SMEs	Small and medium-sized enterprises

BIOGRAPHICAL NOTES
MEMBERS OF THE ADVISORY PANEL
ON REGULATORY REFORM

BERNARD LEMAIRE

Bernard Lemaire was born in Drummondville on May 6, 1936. After completing his elementary and secondary education in his native city, he enrolled as a civil engineering student, first at the Université de Sherbrooke (in 1957) and later at McGill University in Montréal.

In 1960, Bernard Lemaire joined the family company, Drummond Pulp and Paper, and in 1963, he founded Papier Cascades inc. at Kingsey Falls with his father and his brother Laurent. The company was renamed Cascades inc. when it was first listed on the Montréal Stock Exchange in 1982. Bernard Lemaire was the company's president for almost 20 years, before handing control to his brother Laurent in 1992.

Today, Bernard Lemaire chairs the board of directors of Cascades inc., and is president and CEO of Boralex inc., the energy sector affiliate of Groupe Cascades. He also sits on the board of directors of various other companies, including the National Bank of Canada, Gaz Métropolitain, Groupe Laperrière et Verreault, Les Industries Paperboard international inc., Les Papiers Perkins ltée, Rolland inc., Norampac inc. and Boralex inc.

In 1985, he was named businessman of the year by the *Finances* newspaper, and in 1986, he was awarded an honorary doctorate in business administration by the Université de Sherbrooke. In 1988, Bernard Lemaire was named an Officer of the Order of Canada, and received an Iris award for his contribution to progress in the field of human resource management. In June 1995, he received a Doctorate Honoris Causa from the École des Hautes Études Commerciales de Montréal (HEC) and the same year he was named an Officer of the Ordre national du Québec. In 1998, the President of the French Republic made him a Chevalier de l'Ordre national de la Légion d'honneur.

Bernard Lemaire is closely associated with the success of Cascades, and has been recognized in various contests including Les Mercuriades, Entreprise de l'année, Le Cercle des bâtisseurs, Prisme and Les Olympiades industrielles.

L. PIERRE COMTOIS

Pierre Comtois is a graduate of the faculty of law at the Université de Montréal, and became a member of the Barreau du Québec in 1976. He began to work for the legal department of General Motors of Canada Ltd. in 1977 as a legal counsel. In 1978, he was promoted to the position of advisor to the government relations service at the company's headquarters in Oshawa, Ontario, where he also worked as a legal counsel. In 1981, he became the regional counsel, and then director of the legal division for all General Motors activities in Québec.

In 1990, Pierre Comtois was appointed as the assistant head of the legal department for all the company's Canadian operations, while continuing to head the service in Québec. Since 1994, he has been the general director of the legal and public affairs department for Québec, while working as the company's assistant secretary.

In addition to his professional activities, Pierre Comtois chaired the Centre patronal de santé et de sécurité du Québec from 1985 to 1987 and was a member of the advisory committee established by the Minister for the Status of Women in the Québec government to study equal access programs from 1986 to 1989. He was also a member, from 1988 to 2000, of the advisory board on labour and manpower established by the Québec Minister of Labour. Since February 2001, he has chaired the board of directors of the Centre hospitalier Fleury, after sitting on the board since 1988.

Pierre Comtois has been a member of the board of directors of the Commission de la santé et de la sécurité du travail du Québec since 1989 and of the Centre patronal de l'environnement du Québec since 1993. He has represented his company at the Conseil du Patronat du Québec and the Association des manufacturiers et des exportateurs du Québec for many years, and was elected to the board of the latter association in early 1997.

JEAN-PAUL BARRÉ

Jean-Paul Barré graduated as an accountant, and also trained in marketing and human resource management. From 1960 to April 2000, he held various positions with Industries Lassonde inc., as an accountant, chief operating officer, managing director and, lastly, president and CEO. Mr. Barré is currently the vice-chairman of the board of directors and president of Industries Lassonde inc.

Named "Québec Food Personality of the Year" in 1988 by the Association des détaillants en alimentation du Québec, Jean-Paul Barré received an honorary diploma from the HEC at the 38th Gala du Commerce in December 1991 after being named one of 12 personalities of the year by *Revue Commerce* in 1991. In May 1992, Jean-Paul Barré was named "Québec Food Industry Personality" at the conference organized by the CRDA (Conseil des denrées alimentaires du Québec). In April 1993, he also received the Commemorative Medal for the 125th Anniversary of Canadian Confederation. In 1996, he was named "Great Entrepreneur of the Year" in the prestigious "Les nouveaux performants" contest, and in 1997, "Food World Personality of 1997" and "Personality of the Week" by the *La Presse* newspaper.

MARTINE CORRIVEAU-GOUGEON

Martine Corriveau-Gougeon works as an advisor in the field of information technologies. She has held several managerial positions, including president of Télébec from January 1995 to July 1997 and, at Bell Canada, first vice-president for customer service and billing and, later, first vice-president for planning and operations, a position she occupied until June 2000.

She began her career with Bell Canada in June 1973, after graduating from McGill University with a Bachelor's degree in electrical engineering.

Martine Corriveau-Gougeon is a member of the board of directors of the École de technologie supérieure (ETS) and of the executive committee of various organizations, including Les Grands Ballets Canadiens de Montréal. She also belongs to several professional associations, including the Ordre des ingénieurs du Québec and the International Women's Forum of Canada.

MICHEL HÉMOND

Michel Hémond was born in Montréal in 1955, and in 1977 graduated from the Université de Montréal with a Bachelor's degree in economics. While completing his studies, he also held a managerial position with a firm of claims adjusters from 1975 to 1978. In August 1978, he became the president of an industrial oven manufacturer, Pyradia inc., and from 1984 to 1988, he was the president of Armoires Mirabel Rive-Sud. In 1985, he became president of Belfab inc., a small manufacturer of industrial dust extractors. From 1989 to 1997, he was the president of a new company set up to market a new concept in high-density heating elements designed by LTEE.

Michel Hémond has played a very active role over the last 13 years within the Groupement des chefs d'entreprises. In 1994, he joined the Association des manufacturiers et des exportateurs du Québec, where he has been a member of the taxation committee since 1996 and the board of directors since 1998, and has chaired the board of directors since 1999.

ÉDITH MAJEAU

Édith Majeau, who was born in the Lanaudière region, received technical training in production engineering and practical training in the field of sheet metal manufacturing in her family's companies.

She is the proprietor of Les Industries MKE (1984) inc., and has been the company's president and CEO for the last 17 years. She also sits on the board of directors of various other companies and organizations.

MICHELINE PLAMONDON

Micheline Plamondon, a native of Saint-Raymond in Portneuf, first headed a business in 1979 when she became the proprietor of Imprimerie Le Réveil St-Raymond inc. She later purchased Les Impressions Piché inc. in Sainte-Foy, Québec.

From 1999 to 2001, she was the vice-president for marketing, business development and human resources with J.B. Deschamps-Piché inc. in Beauport.

Micheline Plamondon is involved in various organizations promoting business development. She has chaired the Saint-Raymond chamber of commerce, and was the first woman president of the Association des arts graphiques du Québec. She has been an active member of the Groupement des chefs d'entreprises du Québec, a member of the Table de synergie and chair of the Atelier-forum of the Table de synergie Québec et Chaudière-Appalaches, employers' co-chair of the Comité sectoriel de main-d'œuvre des communications graphiques, and a member of the board of directors of the Beauport local development centre (CLD).

CLAUDE RIOUX

Claude Rioux worked for the Confédération des syndicats nationaux from 1973 to 2000 as a union advisor for research and negotiation. He was responsible for the work of the negotiation coordination committee in the private sector, and services coordinator for the Fédération des travailleurs et des travailleuses de papier et de la forêt from 1988 to 2000. He has also represented the CSN in connection with the asbestos industry, company restructuring plans, pension plans and the environment.

Claude Rioux is a director of Bâtiments inc. and the Caisse d'économie Desjardins des travailleurs et des travailleuses du Québec. He has also been a director of the Régie de l'assurance-maladie du Québec, SSQ-Vie inc. and MCE Conseils. He has authored or co-authored several papers on industrial relations, some of which have been published in academic journals.

JEAN-MARIE SALA

Jean-Marie Sala holds a degree in chemistry and a Master's degree in physical chemistry, and is a chemistry graduate of the Institut du Génie Chimique in Toulouse. Since 1970 he has held various positions in the aluminium industry in Europe and North America, in the fields of research and development and environmental protection.

From 1985 to May 1999, Jean-Marie Sala was director of environmental affairs at the Montréal head office of the Société d'Électrolyse et de Chimie Alcan Limitée. He left Alcan in May 1999 to set up JM SALA INC., which offers consultation services in environmental management and sustainable business development.

MARCEL SAMSON

Marcel Samson was born in Lévis and holds Bachelor's degrees in arts, business and law from Université Laval, and a Master's degree in taxation from the Université de Sherbrooke. He is a member of the Institut des Comptables agréés and the Barreau du Québec.

Marcel Samson first worked in private practice, and later held a variety of management positions in Québec companies. He has taught tax law at the faculty of administration of Université Laval and the École du Barreau du Québec, and business law at Laval's faculty of law. Marcel Samson has also chaired various social organizations.

ÉMILE VALLÉE

Émile Vallée, a native of Québec City, holds a Master's degree in social science (industrial relations) from Université Laval. He has worked mainly within the union movement, first as a research assistant and later executive assistant to the president at the Canadian Labour Congress in Ottawa, in the research division of the metal workers' union in Toronto, and as a legislative representative in Ottawa.

Émile Vallée is currently a political advisor with the Fédération des travailleurs et travailleuses du Québec. He has also worked at the secretariat of government operations and labour relations in the Privy Council Office, and as director of special projects at the Canadian Labour Market and Productivity Centre.

MTRE. MICHEL YERGEAU

Mtre. Yergeau is a law graduate of the Université de Montréal, and has been a member of the Barreau du Québec since 1974. He specializes in environmental law and related areas, such as administrative, energy and Native law. An advocate, barrister and legal counsel, he has acted for many different companies, and currently practices law as a member of the Lavery, de Billy practice, where he chairs the board of directors. He was the vice-president of the Bureau d'audiences publiques sur l'environnement from 1979 to 1984.

Mtre. Yergeau is a member of various professional associations and organizations, mainly in the field of the environment, including the environmental law committee of the Barreau du Québec, the Association des conseillers en environnement du Québec, the Association québécoise de vérification environnementale and the Centre patronal de l'environnement du Québec.